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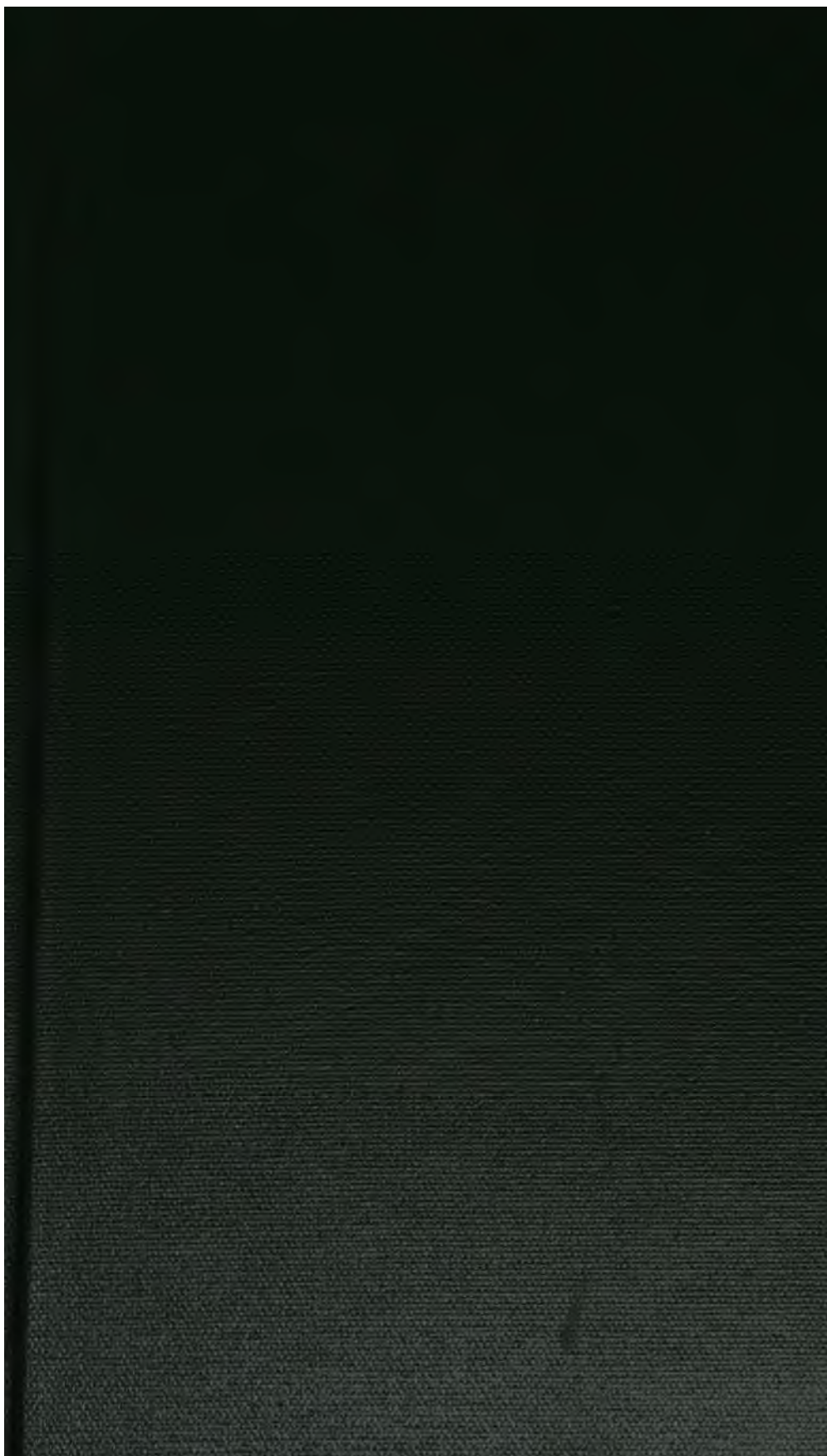
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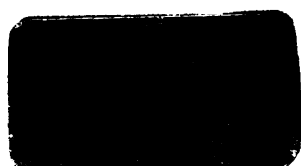
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NOMINATION OF JOHN SKELTON WILLIAMS

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HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 9

Printed for the use of the Committee on Banking and Currency



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NOMINATION OF JOHN SKELTON WILLIAMS.

MONDAY, JULY 28, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 o'clock a. m. in the committee room, Senate Office Building, Senator George P. Leach presiding.

Present: Senators McLean (chairman), Page, Newberry, Keyes, Fletcher, and Henderson.

Present also: Hon. John Skelton Williams, Comptroller of the Currency; Hon. Thomas P. Kane, Deputy Comptroller of the Currency; Mr. Samuel Untermeyer, of New York; Mr. Wade H. Cooper, Washington, D. C., and others.

The CHAIRMAN. The committee will be in order. We will now hear Mr. Untermeyer.

STATEMENT OF MR. SAMUEL UNTERMEYER, OF NEW YORK, N. Y.

MR. UNTERMEYER. Mr. Chairman and Senators, I am a member of the New York bar and have been engaged in practice there for upwards of 40 years. I regret that Mr. Hogan has seen fit to reopen the endless Riggs Bank controversy.

His testimony concerning my connection with that controversy was given July 10 and 11. I reached Washington on the morning of the 12th on an engagement to appear that morning before the Senate Sub-Judiciary Committee on Prohibition on my way to the White Sulphur Springs. I found it impossible to secure a hearing that day before your committee and accordingly left Washington that evening for the springs and have been there ever since. I am now being heard at my own request.

The Riggs Bank transactions occurred more than four years ago, and a great many things have happened meantime, besides which human memory is at best fallible, but according to my recollection of the incidents referred to, Mr. Hogan's testimony contains many serious inaccuracies and misapprehensions and is replete with misleading assertions.

You have had so much testimony as to the status and merits of the various phases of the Riggs Bank controversy that I assume you will not care to have cumulative evidence from me. I have many points of difference between Mr. Hogan and myself, and I shall accordingly confine myself, unless otherwise directed, to stating only a few of those differences and mainly those with which I am personally concerned.

Again and again in his testimony Mr. Hogan emphasizes the fact that in his talks with me I was acting as the attorney for Mr.

Williams. Referring to the talk at the Shoreham, you will find on page 141 the following:

Senator HENDERSON. Was Mr. Williams connected with it in any way?

"It" referring to the transaction with me, to which Mr. Hogan had testified.

Mr. HOGAN. Mr. Undermyer was his counsel. He was not a Government employee.

Again, on page 139, I am quoted as having said to Mr. Hogan that Mr. Williams was, as he [Hogan] knew, "implacable" in this matter; that something would have to be done to satisfy Mr. Williams with respect to what he [Williams] thought should be done with the officers of the bank; that he would let up on this bank and let up on its officers only when he attained his end of getting Ailes and the two Flatlers out.

Mr. Hogan testified as follows:

Mr. Undermyer said he thought Mr. Williams was right in that regard and they should be gotten out.

Again on page 142:

The CHAIRMAN. If he—

Referring to me—

said what you say he said, it indicated that he had discussed this matter with Mr. Williams?

Mr. HOGAN. I have no doubt about it. He did not say that, but there was not the slightest doubt in my mind that he had.

The CHAIRMAN. He made the offer to you with apparent authority to carry it out?

Mr. HOGAN. Certainly. As I say, he was the attorney for Mr. Williams.

These statements are incorrect in that (1) I was not the attorney for Mr. Williams except in the incidental way that I shall explain; (2) I was a Government employee; I was retained and paid by the Attorney General and never rendered a bill or received a fee from anyone else; (3) I did not say, in words or in substance, that Mr. Williams was "implacable" or that "something would have to be done to satisfy him."

I did say that it was my opinion that upon the record as it stood, these officers, one of whom resigned after being indicted, ought to resign, and that is and always has been my opinion.

The facts as to my employment are briefly as follows:

Some time in April, 1915, I was called in New York by telephone from Washington, either from the Attorney General's office or from Mr. McAdoo's office, I do not recall which, to come to Washington for a meeting at the Attorney General's office. I went directly from the train late in the evening to the office of the Attorney General and there met Mr. Gregory and Mr. Brandeis. I do not think that either Mr. McAdoo or Mr. Williams was present, but I think Mr. Warren, the Deputy Attorney General, was there. Mr. McAdoo and I have been friends for many years. I have a country place at Yonkers where Mr. McAdoo at one time lived. We worked together in the prenomination campaign of 1912. I was one of the few New York Wilson delegates to the national convention of that year at which he was also a delegate. During the campaign we saw a great deal of each other and again in the 1916 campaign and, in fact, almost

every time I came to Washington and when he occasionally came to New York.

The Attorney General said that Mr. McAdoo was anxious to have me act for him in the case which had been brought by the Riggs Bank charging him and Mr. Williams with conspiring to destroy the bank, and wanted to know whether I would accept a retainer on behalf of the Government. I told him I would be glad to do anything to assist my friend, but would prefer to act without compensation, and subsequently wrote him two or three letters to that effect, but the Attorney General was insistent that it was beneath the dignity of the Government to accept such service without compensation. When the matter was finally wound up I accordingly told him to fix whatever compensation he cared to, but that I would prefer that it be made nominal if he was not willing to allow me to defend my friend without pay.

I was told that Mr. Brandeis had been advising the comptroller, with whom I had had no social or professional relations, except that in the reorganization of the Seaboard Air Line Railway I had acted as counsel for the reorganization committee on behalf of the Blair-Warfield interests as opposed to Mr. Williams. I had not seen him for years, and it was only when an examination of the papers disclosed that there should be a joint representation of all the counsel interested for both the defendants, that I became counsel also for Mr. Williams, because of my position, primarily, as counsel for Mr. McAdoo, and acted for both as Government officials and upon the sole retainer of the Government.

So far as I can discover from the record, Mr. Hogan nowhere fixes the time of the meeting with me in the presence of Mr. Cromwell, the substance of which he has undertaken to recite and about which he was examined on page 136 and again on pages 138, 139, 140, and 142 of the printed record of the proceedings.

As heretofore stated, I have not been in New York since learning of his testimony, but have had my son see Mr. Cromwell with a view to ascertaining his recollection of the interview referred to by Mr. Hogan and of a subsequent interview I had with Mr. Cromwell alone. I judge from a report made by my son to me that my recollection and that of Mr. Cromwell are in a general way in substantial accord.

According to my recollection the interview referred to by Mr. Hogan took place at the Shoreham Hotel about the middle of June, 1915, and was an entirely accidental and informal meeting. I had come to Washington that morning on other business and had been lunching with a party of gentlemen at the Shoreham and met him and Mr. Hogan in the lobby of the hotel on the way out.

Mr. Cromwell and I have been friends for between 35 and 40 years, practicing law in the same city, and have come in contact with one another at various times beginning as early as 35 years or more ago. On seeing me on the occasion in question he told me that he was in Washington representing a committee of the directors of the Riggs Bank, which was investigating the transactions between the officers and the bank resulting from the facts that had been disclosed in the case that had been argued before Mr. Justice McCoy. I can not undertake to remember all that was said in this casual conversation of perhaps 5 or 10 minutes, but the substance of it, as I now recall, was that he and his clients had heard with considerable satis-

faction that I did not favor criminal proceedings based upon the affidavits that had been filed by Messrs. Glover and the Flathers. Mr. Hogan said that his information was to the same effect.

I told them that I could not imagine where they had secured their information, as I had never discussed my attitude on that subject with anyone outside of the Government councils; that my work in the case had ended; my clients had won out, and I had no further connection with that subject, but that it was true that although the affidavit was false and that the court would have been seriously misled but for the reply made the next day in the affidavit of Mr. Lammond; I did not personally favor criminal proceedings based upon it because of my doubt as to whether a conviction for perjury could be secured.

I told Mr. Cromwell and Mr. Hogan also at that time that I did not believe that a prosecuting officer should ever bring men to trial unless it was his belief that conviction could be secured, and that where he did not believe a conviction ought to be secured it was his duty to rise in his place at the trial and so state to the court and jury; that he was a quasi judicial officer and not a persecutor.

The CHAIRMAN. Did you ever express that opinion to the Attorney General?

Mr. UNTERMYER. Yes. I am going to give that to you. Yes; I was very insistent to the Attorney General that I did not think the proceedings ought to be brought.

I told him also at that time that I had been principally concerned for my friend Mr. McAdoo, at whose request I had accepted the retainer of the Department of Justice at great personal inconvenience.

I told these gentlemen, in substance, that I had examined the books of Lewis Johnson & Co. and was very familiar with the facts, and that when the affidavit was presented I was fairly staggered by its contents, which I then knew were false, but that I had always felt that if I were a prosecuting officer I would never indict a man for an offense for which I did not believe a conviction could be secured; that convictions for perjury were at best difficult to secure, and that in this case I was not satisfied that this was a willful, felonious, false swearing, although there was no doubt that the affidavit was false.

Mr. Hogan appeared greatly disturbed at the position in which he found himself, as the draftsman of the affidavit, upon whose advice his clients had verified it, and Mr. Cromwell asked me whether I would not undertake, in a friendly way, to intercede to get the whole controversy out of the way, more particularly as the charter of the bank would expire within a year and he was anxious to find some way in which the charter could be renewed. He said that was the phase of the subject with which he was primarily concerned. I said, in substance, when he spoke of the renewal of the charter, that if I were the Comptroller of the Currency, in the light of the facts as to the management of this bank throughout its entire career and the way in which the officers had manipulated the use of its funds, and of their persistent violation of the banking law through all the years of the bank's existence, I would not renew the charter unless there were a complete change in the official management of the bank.

I told him also in effect that the fact that the institution was overwhelmingly solvent and had been highly prosperous throughout its career was, to my mind, no reason for permitting its officers to per-

sistently defy the laws of its being, and that there ought not to be one rule for prosperous banks and another for struggling ones.

Mr. Cromwell and Mr. Hogan both again urged me to intercede. There was nothing said at that or at any other interview with Mr. Hogan, Mr. Cromwell, or anybody else that could, by any stretch of the imagination, be construed into a proposal or suggestion that if the officers of the bank would resign, indictments might be prevented, or that there was any relation between the two subjects. I discussed no such proposal with Mr. Williams, Mr. McAdoo, the district attorney, or with anybody else, except as I shall state hereafter. And I had no concern with the subject, official or otherwise.

On the day Judge McCoy decided the case, which he did in effect at the close of the oral argument, Attorney General Gregory, who was greatly incensed at the affidavit upon which the indictment was subsequently procured, as was his deputy, Mr. Warren, was firm in his determination that the men concerned in the making of the affidavit should be punished. I argued with him against that course, both at that time and subsequently, and consistently.

Shortly after the interview of the Shoreham Hotel, and on June 26, I was again in Washington, this time to keep an appointment with Secretary Lane in connection with the affairs of the Alaskan Railway, one of the two cowners of which I represented. I ran across Mr. Cromwell again accidentally in the lobby of the New Willard Hotel that morning. He was alone, and he asked me whether I would take luncheon with him that day at the Willard, which I did.

At the interview, at the Shoreham, I had told these gentlemen that I was leaving shortly for California; that I was through with my work in the case and did not care to become further involved, and had nothing to do with any criminal proceedings; that my clients had gained their victory, my friend, Mr. McAdoo, as well as Mr. Williams, had been fully vindicated, as he deserved to be, and that that was all I cared about the case. As the thing rests in my mind, Mr. Cromwell, at the Willard luncheon, again expressed his and Mr. Hogan's appreciation of the position I had taken, and urged me to see what I could do toward closing the controversy so that the charter of the bank could be renewed. He said also that the Attorney General seemed bent upon indicting all the persons who were in any way connected with the making of this affidavit, but that he was not primarily concerned with that aspect of the case, but mainly with the renewal of the charter, and that he did not for a moment believe, in view of their position in the community, that any jury in Washington could be induced to convict the officers of perjury. I repeated to him that the Attorney General was in full possession of my views on that subject and that there was nothing further I could say to him that would be likely to move him, but that if he so desired I would see him again, which I did, but without result.

At this interview at the Willard Mr. Cromwell and I went at some length into the history of the bank, and I gave him, very frankly, my views as to the conduct of the officials for many years, and particularly as to their defiance of the banking law, which had met with almost continuous protests from every comptroller for a long series of years before Mr. Williams assumed office. I explained to him that notwithstanding its great prestige and prosperity, the Riggs Bank, under these officials, had been nothing more than a stock

brokerage shop inside of a bank, and that is what I told the court on the argument, as you will see from the notes. This was not a bank at all. It had a vast amount of deposits, a large amount for Washington, by far the largest amount of any bank in Washington, but out of its total deposits there was less than 10 per cent of commercial business, and out of its loans there was less than 10 per cent of commercial business. There was about 90 per cent loaned on all kinds of stocks, speculative and otherwise, and this brokerage firm, consisting of officers of the bank, would buy stocks or sell stocks short, and the bank would do the bulk of the financing.

The CHAIRMAN. For what period. How long did that continue?

Mr. UNTERMYER. Practically all through the history of the bank.

The CHAIRMAN. Up to what date?

Mr. UNTERMYER. Almost up to the time of the beginning of the suits, as I remember it. I think that stopped shortly before that. I think that when the controversy with Mr. Williams started, that sort of thing stopped. But I think it lasted practically up to that time. They drifted very naturally into it, though. You see, this had been a private partnership of Riggs & Co., and they had been what you call private bankers, which in most localities means stockbrokers first, and bankers afterwards. The members of the firm were members of the stock exchange, and their business had been largely a stock brokerage business, so that when they incorporated into the form of a national bank, they went on, and their business enlarged, and was of this same character. But it was a business with which a national bank had no right to be concerned.

Senator PAGE. No losses ever grew out of this class of transaction, I believe you tell me?

Mr. UNTERMYER. I do not know as to that. I think there were small losses. But that did not seem to me to affect the question at all, because if one national bank could be a brokerage shop and have the good management to make no losses, why could not other national banks run brokerage shops with less judgment and less ability, and wreck the bank?

Senator PAGE. I was simply thinking about the final results of the whole transaction.

Mr. UNTERMYER. Of course, I look back of the results. I am looking at the principle of the thing. It was essentially and fundamentally wrong in principle. But I felt that these men had drifted into it, at a time when the ethical, financial standards were very different from what they became in later years.

The CHAIRMAN. Other banks in Washington were doing the same thing in a smaller way?

Mr. UNTERMYER. I had never heard of it. I do not know of any bank in New York—much as has been said against high finance in New York, and much as may be just said against it—that ran a brokerage shop with the officers of the bank, financed with the funds of depositors of a national bank. I think Mr. Williams performed a high public service when he stopped that sort of thing. I think he also performed a high public service when, for the first time in the history of this country, he required national banks that had Government deposits to pay interest to the Government. When the banks were all paying their out-of-town correspondents interest upon their balances, they were not paying the Government a cent, during all

those years, until Mr. Williams compelled them to pay interest, and put them on a par at least with the private depositors.

I think Mr. Williams is one of the best comptrollers this country has ever had, fearless and courageous, and when he has seen his duty, he has done it. Every man has his temperamental weaknesses and infirmities, but when you come to the crux of the administration of that office, it is fine.

The CHAIRMAN. Do you think the powers of the comptroller are rather large?

Mr. UNTERMYER. Yes; they are very broad. But they have to be broad if you want to have sound finance, or somebody has to have power over these banks to see that they keep within the law.

The CHAIRMAN. It has been suggested that the office be abolished and that the functions be transferred to the Federal Reserve Board. I do not know whether you care to express an opinion on that subject or not.

Mr. UNTERMYER. I have often heard the suggestion, but it has seemed to me that there should be some officer especially charged with the supervision of national banks and of their affairs.

The CHAIRMAN. Would you suggest that his acts be subject to review in any way?

Mr. UNTERMYER. Yes. I think his actions should be subject to judicial review in certain respects. I think also he should have a rather wide discretion. But I do not believe in administrative officers being czars in their power. I think there are a great many acts that are now not subject to review that ought to be subject to review by a judicial power.

Senator FLETCHER. Do you not think an individual can better perform the functions of a comptroller than a board?

Mr. UNTERMYER. Yes. I think it would be a mistake to abolish the office of Comptroller of the Currency. I think that ought to be in charge of one man, who does not bear a mass of responsibilities for all the finances of the country and for its entire system, but of a man who bears responsibility for the proper conduct of the business of the national banks and the keeping of them prayerfully within the law, because it is only prayerfully that you will keep them within the law, and it is only by eternal vigilance that you will do so.

I said to Mr. Cromwell, as I stated, that the bank had been operating this stock-brokerage business with the assets of the depositors, and its cashier had been plainly guilty of dishonesty; that the whole thing was scandalous and a pernicious example, more pernicious because it had succeeded than if the bank had failed as a result of the speculation of its officers.

The CHAIRMAN. Who was cashier at that time?

Mr. UNTERMYER. Mr. H. H. Flather was cashier. Mr. Hogan states somewhere in his testimony that it was because of some statement I made in open court concerning the operations of the bank that he felt it necessary to present this affidavit. I think he overlooked the fact that we had previously presented an affidavit of a man named Bennet—which is in the record, and I assume that the record is before you. We picked out hurriedly a number of transactions of Mr. H. H. Flather in which he had pocketed the money of his customer. For instance, he was the cashier, and the orders

for stock purchases would come to his desk. There were transactions such as this:

A customer would, we will say, instruct the bank to sell a hundred shares of Union Pacific short. If, within an hour or two after that, Union Pacific went down Mr. Flather would settle on his own account for that transaction and take the profit, either in cash or in a check, and then he would buy the customer's stock at the larger price, so that the customer would not get all the profit.

The CHAIRMAN. There were two Messrs. Flather?

Mr. UNTERMYER. Mr. H. H. Flather.

The CHAIRMAN. Is that the Flather who afterwards resigned?

Mr. UNTERMYER. That is the Flather who resigned when the indictment was handed down, and it was eminently necessary that he should resign. That sort of thing has been going on a long time. I do not believe the other officers of the bank knew anything about those transactions. There was no evidence that they knew it. It only goes to show the perils of allowing a bank to run this kind of a business, no matter how much money it makes out of it. I have no doubt that the national banks of this country could make fortunes if they could all turn themselves into stock brokerage, real estate brokerage, grain brokerage, produce brokerage houses and finance everybody who they thought was responsible with proper margins in those businesses. I think they could make great fortunes if they had good judgment.

Senator HENDERSON. In the illustration you have just given, do you hold the bank responsible for the act of Mr. Flather, when none of the officials, as you say, knew about it?

Mr. UNTERMYER. In a sense, yes; because it had gone on for a long period of years; and because of this fact, that every time a transaction was made in stocks, through the Riggs Bank, a memorandum of the sale or purchase, a memorandum slip from the brokerage house, would come to the bank, and a statement of the purchase or sale, or whatever it might be, would come to the bank, and the transaction would be billed to the Riggs Bank. These transactions were conducted upon the credit of the Riggs Bank.

It seems to me the officers must have been very blind or derelict in duty if in the course of time they failed to learn of what was going on. As I have said, I do not think they did. But a man could become president of a bank, go off to Europe and spend a few years, and come back and say, "I am not responsible for the management of this bank, although I loaned it my name and my prestige, and people dealt with the bank on the faith of them. But I was away and I did not know it." I think they were bound to know it.

Senator FLETCHER. The evidence shows they had a private wire to the cashier's desk from a brokerage office. The bank officers must have known that.

Mr. UNTERMYER. I think they not only had a private wire to the Lewis Johnson & Co. desk, but if my memory serves me right, they also had a wire to another brokerage house, Colgate & Co., in New York, with which the Riggs Bank also did business. We were not able, in the short time that elapsed before the argument, to get into the Colgate account, because that was a going concern, and we had no access to their books. It was only because Lewis John-

son & Co. was in bankruptcy, and their books were open and here in Washington, that we were able to analyze their transactions.

But back of it all there is this fact, that these people really drifted into this thing—I mean they drifted into the business. They did not deliberately take up the business when they became a national bank. They simply succeeded to a banking and brokerage business, and incorporated as a national bank. But to my mind, if they wanted to do that sort of a business, they ought to have incorporated as a banking house, if they wanted to incorporate at all, or not take deposits.

There has been handed me here some of the checks that were made by Lewis Johnson & Co. to the order of the Riggs Bank, and some of the sample memoranda of purchases and sales that were delivered day by day through all of this time, all the dealings being with the Riggs Bank.

I told Mr. Cromwell, as I have told a great many other people, and as I feel, that I was naturally very sorry for Mr. Glover, as I would feel sorry for any man of his age and standing in the community who had gotten into this sort of trouble, but the officials were not entitled to be intrusted with other people's money, and that it did not seem right to have one rule for the man who won out and another for the man who lost out in the same sort of transaction. All this discussion was in connection with Mr. Cromwell's various resourceful suggestions of a way out of the difficulty by which the bank would have its charter renewed, for there is no man in this country who has been more resourceful or more distinctly helpful in negotiations and in the difficulties of finance than is Mr. Cromwell, besides which he has a constructive mind that amounts to genius in transactions of this kind.

I told Mr. Cromwell at that interview of my leaving that day for New York and starting the following day for California, which I did. So far as my memory serves me now, that was my last connection with Riggs Bank affairs until Mr. Darlington called on me in New York in company with a Member of the Senate.

My recollection of what transpired at that interview does not differ materially from his, as stated on page 166 of the testimony, except that he describes me parenthetically as being counsel for the comptroller, in which statement he is mistaken; and he uses this language:

"He (referring to me) said that the charter could be arranged on certain conditions, naming the conditions." This meeting with Mr. Darlington, as I recall it, was, as he states, some time in June, 1916, which was more than one year after my connection with the Riggs Bank case had totally ceased. It was after the acquittal in the criminal proceedings.

These gentlemen called, as they explained, to ask my help with respect to the renewal of the charter because of my previous connection with the case, although they fully understood that I represented nobody at that time. I told Mr. Darlington that I did not believe it would be possible for me to be of any aid toward securing a renewal of the charter if these officers were to remain, as my views on that subject were well known and I would be simply stultifying myself to attempt to argue the other way.

So far as concerned Mr. Glover, I said, in effect, that I thought, from what had been said the year before, that he might be retained, but they understood distinctly that I had not talked with the comptroller, or with Mr. McAdoo, or with anybody else about this matter; that I was only expressing my own view as to what I would be willing to do to serve them, on their request.

There was, of course, no question of my accepting a retainer or of compensation. They quite understood that my previous connection with the case rendered that out of the question. After hearing my views as to the terms on which I would be willing to go to Washington to ascertain what could be done, these gentlemen left and that was the last I heard of the transaction until I learned that an arrangement had been effected, with which I was in no way concerned, for the renewal of the charter upon the conditions set forth in the letter signed by the officers of the bank, which has, I understand, been put into the record.

I had never seen the letter. It had never been submitted to me. I had never known how it was brought about, or anything concerning it. I had simply washed my hands of the whole business.

In my judgment Mr. Hogan wholly misapprehends the scope of the proceeding before Judge McCoy and the basis of his decision. There were days of argument before Judge McCoy upon the facts, and his decision was a complete vindication and victory for the Treasury officials, so far as concerned the charges made against them for conspiracy and wrongdoing.

The bank claimed that the right of the comptroller to require regular and special reports affecting, in the words of the statute, "the condition of the bank," was confined to its financial condition, whilst the Treasury officials insisted that this included every phase of the bank's management; and it had been so construed by a previous Treasury official.

The court upheld the latter contention, and decided also that the comptroller had the power to inflict the penalties that had been imposed but that he did not have the right to demand that the information called for by him should be verified under the oath of two of the officers and three of the directors of the bank, as had been demanded, but that he should only have required it to be verified by two of the officers and attested by three of the directors. It was solely upon that purely technical ground that the imposition of the \$5,000 penalty was decided to be irregular.

It was considered of the utmost importance by everybody connected with the Treasury that that question should be determined as to the scope of the power of the comptroller, as to whether he could make these demands and whether he could impose these penalties, the bank containing that he could not go beyond the question of its undoubted solvency, the Treasury contending that it had complete domination over the investigation of all phases of the management of the bank.

Senator PAGE. Was the undoubted solvency of the Riggs Bank ever brought in question?

Mr. UNTERMYER. Never, by anybody. It was not only solvent but for its size was one of the very prosperous institutions of the country. But if, as I say, you are going to have one rule for a prosperous bank and another rule for a struggling bank, the comptroller will become

the judge of what banks he shall bring within the law and what banks he shall not bring within the law, and he ought not to have any such power. It should be his duty to enforce the law against all banks.

Mr. Hogan was also, I think, inaccurate in his statement that the preliminary application was not decided by Judge McCoy for more than one year after it was submitted. In point of fact, in its essential features, it was decided at the close of the argument in an oral opinion which was later supplemented by the lengthy opinion that is in the record.

The conspiracy charge was exploited and answered at great length upon the argument and in the lengthy affidavits and exhibits that were submitted, and the judge then held that the action of the Treasury officials was not malicious or the result of a conspiracy as had been charged; that the malice, if any, was rather the other way; and that the officials would have been derelict in their duty if they had done otherwise than they did.

The CHAIRMAN. Mr. Untermeyer, that record will speak for itself.

Mr. UNTERMYER. I am not going any further into it. That is the way I read it.

Senator FLETCHER. In that decision of the court, Mr. Untermeyer, did not the court hold that the comptroller required the affidavit of the president *and* cashier, whereas the statute said president *or* cashier?

Mr. UNTERMYER. I do not think so. I think it held that it required affidavits, as I remember it, of two officers but that it did not require the affidavits of three directors. All these returns had been made, until this one was finally refused by the bank, under the affidavits of all these five people, as I recall it, and my recollection is that the court held that it required the affidavits of only two of the officers, and to be attested only by three of the directors. I think that is right. I may be wrong about that. It is a long time.

Mr. WILLIAMS. Here is the decision.

Mr. UNTERMYER. Yes; I think you are right, Senator Fletcher, now that I recall it. I think the statute required the president *or* the cashier. You see, it is four years and more since I have looked at any of these records, and I think I am wrong about that.

May I ask, Mr. Chairman, whether the affidavits which were used by the Treasury officials are made part of this record?

The CHAIRMAN. I think some of them.

Mr. UNTERMYER. I mean Mr. McAdoo's affidavit and Mr. Williams's affidavit?

The CHAIRMAN. I think Mr. Williams put in Mr. McAdoo's affidavit.

Mr. UNTERMYER. I have just been shown the Riggs Bank decision, upon page 144—

Senator HENDERSON. Page 144 of what?

Mr. UNTERMYER. I think it is your record. [After consultation with Mr. Williams:] No; pages 144 of the report of the comptroller of 1916.

The CHAIRMAN. That, as I understand it, does not pretend to be a verbatim report of the record but rather the comptroller's opinion.

Mr. UNTERMYER. I understood it was a digest by the Department of Justice. I think it was made by the Department of Justice. Ground 20 reads:

As to the merits of the case, the single point on which the court finds against the defendant is the following: That the comptroller in making his demand of January 22, 1915, for the special report called for, required that it should be made under the oath of the president, cashier, and three named officers and directors, whereas the statute, section 5211, only required that the report be sworn to by the president or cashier and attested by the signatures of at least three of the directors. The court said: "Therefore, it must be held in this case that the comptroller, having called for a report not verified and attested as provided in the statute, did not place himself in a position where he could lawfully assess a penalty for a failure to comply with a demand which he made."

The recital by Mr. Hogan of the stormy interview in Mr. McAdoo's office, in which the latter is claimed to have threatened and assailed Messrs. Ailes and Glover, which is found on pages 35 and 36 of Mr. Hogan's testimony, is, if I may say so, disingenuous. It is not a recital of the facts as they were found by the court, but of the allegations of the bank's complaint, and Mr. Hogan, as it seems to me, possibly inadvertently, failed to make mention of the significant fact that both Messrs. McAdoo and Williams filed affidavits denying the statements which Mr. Hogan in his testimony assumes as proven facts in the controversy, giving their version of the interview and putting a very different appearance upon the entire transaction, which, if true, shows that the officers of the bank were the aggressors and that the Treasury officials were doing no more than their duty.

I assume that since it appears that the Riggs Bank controversy is being tried over again here, the record contains the affidavits of Messrs. McAdoo and Williams in opposition to the statement of Mr. Hogan on that subject.

The CHAIRMAN. They are both in the record.

Mr. UNTERMYER. I think I should call the attention of the committee to the following testimony on page 99:

Senator FRELINGHUYSEN. Is there anything in the record which shows undue favoritism by previous administrations to the Riggs Bank or any other bank?

Mr. HOGAN. There is not.

Mr. Hogan is mistaken as to this. Attached to the affidavit of Mr. McAdoo in the equity proceedings are two exhibits, one showing the Government deposits with the National City Bank, month by month and year by year, beginning in 1894 and ending in 1912.

The CHAIRMAN. I will say, Mr. Untermeyer, that that has been gone into very thoroughly and that the comptroller put into the record just what the deposits were for a long series of years.

Mr. UNTERMYER. Then that saves me, fortunately, the necessity of going into that.

In conclusion, permit me to say that I greatly regret the perpetuation of this controversy on the part of Mr. Hogan against Mr. Williams, and believe it to be most unjust. Mr. Hogan has doubtless suffered great agony of mind, more particularly because of the affidavit for which he was responsible and which may account for his bitterness. To my mind, Mr. Williams showed great breadth and magnanimity in deciding to extend the charter of the bank. I doubt whether I would have done so upon the facts, as I know them to exist, if I had been Comptroller of the Currency, or that any stranger to whom that record was submitted would have felt justified in extend-

ing the charter unless the men who were responsible for the offenses against the banking law were retired from the management.

After the bank had brought its suit and before it came into court, I exercised every resource in the effort to secure its settlement, without it being brought into court. I spent days in that. After it had been argued, my connection with it ended, but upon the urging of those representing the officers of the bank I interceded in a purely friendly spirit and without retainer or compensation in the renewed effort to end the controversy.

The CHAIRMAN. Mr. Untermeyer, you were counsel for Mr. Williams in the equity suit?

Mr. UNTERMYER. Only in the way I have explained. I did not regard myself as representing Mr. Williams, any more than the Attorney General represented Mr. Williams. I was a special assistant to the Department of Justice, paid by the Department of Justice, paid by nobody else, under duty to nobody else. These officials had been attacked in their official capacity. They were entitled to be defended by the Department of Justice.

The CHAIRMAN. As he was immediately the defendant in the equity suit, you probably had occasion to consult with him frequently about these matters?

Mr. UNTERMYER. Very little, except when the affidavit was being drawn in the equity suit. I drew Mr. McAdoo's affidavit myself. I did not, as I remember, draw Mr. Williams's affidavit. You see, Mr. Brandeis had been in this matter before I came into it. He had been advising Mr. Williams.

The CHAIRMAN. You did have some conversation with Mr. Williams about this case, probably?

Mr. UNTERMYER. Oh, yes; certainly.

The CHAIRMAN. Did you discuss with him the criminal proceedings?

Mr. UNTERMYER. No, sir.

The CHAIRMAN. That subject was never mentioned?

Mr. UNTERMYER. I do not recall ever having discussed the criminal proceedings with Mr. Williams. I discussed it with the Department of Justice.

The CHAIRMAN. Did you ever state to Mr. Williams your view with regard to that?

Mr. UNTERMYER. I do not think I did. I did not understand that Mr. Williams had anything to do with it. Mr. Gregory was simply wild about this thing. We came back from the hearing that day, after that affidavit had been read into the record in which it was stated that if there were any entries on Lewis Johnson & Co.'s books, transactions with the Riggs Bank, they were fictitious, and he was in a terrible rage about it.

The CHAIRMAN. You know what the comptroller's view was with regard to the criminal proceedings?

Mr. UNTERMYER. I do not think I do, so far as I recall, Mr. Chairman. I did not think I had anything to do with it or with him. My connection ceased when Judge McCoy—

The CHAIRMAN. Yes; but the subject was brought up. You and Mr. Cromwell and Mr. Hogan—I did not know but in view of these repeated conversations with counsel for the other side bearing spe-

cially upon this subject of the criminal proceeding you might have discussed it with Mr. Williams—

Mr. UNTERMYER. It may be, Mr. Chairman.

The CHAIRMAN (continuing). And expressed your view to him?

Mr. UNTERMYER. It may be, Mr. Chairman, but I do not recall having done so. There were a good many things in connection with this transaction that I did not recall when I first saw Mr. Hogan's testimony. The whole thing had faded from my memory, and I had to rake it up and refresh my mind and have my son talk with Mr. Cromwell, and in that way bring the picture back before my mind.

The CHAIRMAN. The civil suit was still in court until some time after the criminal prosecution was brought and the verdict of the jury acquitting the defendants was reached?

Mr. UNTERMYER. It was nominally in court, but it had been effectually determined. Although there had been no final decree, still you know, Senator, that in an action the basis of which is injunction, when you have tried it out upon the preliminary application and the affidavits and the injunction is denied, there is as a rule very little left to be tried, because the questions of law are pretty well covered by the determination on the application. I consider that the case was not in court except in a nominal way. They could not have succeeded after that decision, and in the light of that decision unless it was reversed on appeal.

The CHAIRMAN. In your conversation with Mr. Darlington in New York in regard to this matter the withdrawal of the suit was one of the important conditions, was it not?

Mr. UNTERMYER. Well, I think you are assuming that, Mr. Chairman. Perhaps Mr. Darlington said that. My recollection is this: When the question came up of the appeal to me to see whether I could aid in getting the charter renewed, of course the charter could not be renewed while the bank was defying the power of the comptroller to call for reports. That was the question. If the bank was insisting upon refusing reports while the court had held that the comptroller had the power, the comptroller could not renew the charter. That question had to be gotten out of the way in some way. It either had to be tried or the suit had to be dismissed.

The CHAIRMAN. Obviously.

Mr. UNTERMYER. Yes. That was a logical situation, was it not?

The CHAIRMAN. The comptroller was anxious to have the suit dismissed for some reason, was he not?

Mr. UNTERMYER. I do not think that is quite a just assumption, Mr. Chairman.

The CHAIRMAN. Did you not have conversations with the comptroller in regard to the importance of having this suit withdrawn?

Mr. UNTERMYER. No, sir. I never talked with him, as far as I recall, about that subject at all. Remember this appeal was made to me. I did not go to somebody else. I was not acting in any professional way. Nobody was paying me; nobody was suggesting it. I would not have taken pay. They were appealing to me to see what I could do, and everybody understood that it was a foregone conclusion that the case would either have to be tried or Judge McCoy would have to be reversed in his view of the law as to the powers of the comptroller before the charter could be renewed.

The CHAIRMAN. You do not know who suggested this meeting in New York to Mr. Darlington?

Mr. UNTERMYER. I do not know. I must have known at the time; but I do not know. I do not recall.

The CHAIRMAN. I think that is all.

Senator FLETCHER. In the conversation at the Shoreham, Mr. Untermeyer, Mr. Hogan says that the substance of that statement was that the easy way out of the thing in order to save the bank and let it go along and fulfill its functions and prevent any indictments was to drop the indictment if these four gentlemen would sacrifice themselves. That is, Glover, Ailes, and the two Flathers.

Mr. UNTERMYER. Yes; I think I have answered that, Senator Fletcher. My recollection is entirely at variance with Mr. Hogan's. I suppose you know that two people, however honest their intentions may be, rarely agree about either something that they have seen or a conversation after a lapse of years. Mr. Hogan says that his memory was rather hazy about it, although he has a marvelous memory.

Senator FLETCHER. Were you in a position to assure Mr. Hogan at that time that there would be no more talk of indictment and no indictment would be brought if that was done?

Mr. UNTERMYER. I had not any sort of power and did not assume to exercise any sort of power. I was not representing anybody.

Senator FLETCHER. In regard to the Uniontown National Bank, Mr. Jones testified—

Mr. UNTERMYER. In regard to what, Senator?

Senator FLETCHER. The Uniontown National Bank. Mr. Jones testified with reference to that. Do you know Mr. Jones who testified in that matter?

Mr. UNTERMYER. I have met him once, I think.

Senator FLETCHER. He said something about a conversation had in your office in New York. Whom did you represent in that connection?

Mr. UNTERMYER. I did represent and am still representing a committee of creditors of the Uniontown Bank, of whom there are about 2,000, having claims to the extent of about \$15,000,000. They constitute, I think, about 95 per cent of all the creditors, unsecured creditors, of the bank, and I went down to Uniontown to act for them, because the whole of Uniontown was in bankruptcy as a result of Mr. Thompson's pyramiding transactions, and the mortgagees were about selling these vast coal deposits that were said to be worth fifty or sixty millions of dollars, and the creditors were about being wiped out, and a committee of bankers and creditors came to New York and begged me to go down there and see what I could do to save the situation. I went down and had this committee of bankers organized, which I still represent, and we have succeeded in stopping the sales of most of the properties. We have made a private sale, which is about to go through and by which the creditors will all get the substantial part of their money; but that has been a struggle of five years.

I think Mr. Jones is mistaken as to what took place there. I think he referred to the sale of the bank building, did he not?

Senator FLETCHER. He was testifying about that, and indicated that there was some sort of a conspiracy to sacrifice that for the interests of somebody outside.

The CHAIRMAN. I would say, as one member of the committee, that I do not think it is necessary to go into that unless you want to.

Mr. UNTERMYER. The bank building, I thought, brought a pretty good sum. We were fearing that it would only bring \$500,000, but I think it brought \$700,000, did it not? I do think that Mr. Williams was a little unfortunate in the selection of his receiver, but the complaint as to the management of the estate comes from only a few scattering creditors. It does not come from the creditors' committee, who are the people who are mainly concerned, because they have made no complaint. When I heard of this I wrote to one of the trustees in bankruptcy. I have a letter from him on the subject. I do not think there is any just ground for complaint as to the amount that the bank building brought.

The CHAIRMAN. In what respect was he unfortunate in the choice of a receiver?

Mr. UNTERMYER. The receiver seems to have antagonized a good many people down in that section, and, I think, unnecessarily so. I have criticized the receiver. I do not think it is possible, unless a man is infallible, always to select the ideal receiver for a failed bank. He must get the material which he thinks best fitted to his purpose.

Is that all, Mr. Chairman?

The CHAIRMAN. Just one question more, referring back to the other matter: I assume that you did consider yourself as counsel for the respondent in the civil proceeding until it was ultimately withdrawn or dismissed?

Mr. UNTERMYER. No. I considered the civil proceeding ended when Judge McCoy decided it, because, for all practical purposes and intents, it was ended, and I was going away and I had discharged my mind of it. Mr. McAdoo had been charged with a conspiracy. If what the complaint said was true, or a fraction of it was true, these people were unfit to be public officials. He had been not only vindicated, which was the thing in which I was interested but the suit had been shown to be a grossly groundless and malicious suit.

The CHAIRMAN. Assume that an appeal had been taken in some way and the case had been reviewed—

Mr. UNTERMYER. I suppose I would have been retained again probably.

The CHAIRMAN. Again?

Mr. UNTERMYER. I assume so.

The CHAIRMAN. Do you think any other retainer necessary?

Mr. UNTERMYER. Yes. I had been brought down there for the purpose of arguing that application.

The CHAIRMAN. In the meantime were you counsel for the Treasury Department in any way?

Mr. UNTERMYER. No. I never represented the Treasury Department in any of its affairs except in one case in which I was the consulting counsel with Mr.—what is his name, Mr. Williams, your counsel, who had charge of most of those cases in New York?—Mr. Gibbony. I think I performed some services in connection with litigation in an advisory capacity and was paid \$1,500 for it.

The CHAIRMAN. Do you remember when you received compensation in that civil case, if you received any?

Mr. UNTERMYER. Oh, I did. The Attorney General insisted on my taking it. My recollection is that I received a thousand dollars very shortly after the argument, and I think \$4,000 a little later——

The CHAIRMAN. I am not asking you to give the amount, Mr. Untermeyer.

Mr. UNTERMYER. I have no objection to stating it.

The CHAIRMAN. When were you paid in full?

Mr. UNTERMYER. Sir?

The CHAIRMAN. When did you receive the last payment?

Mr. UNTERMYER. I do not remember.

The CHAIRMAN. Was it after Mr. Darlington——

Mr. UNTERMYER. Oh, I do not think so. I was simply paid for my appearance here before Judge McCoy and my services in the civil proceeding. That is all I had to do with it.

Is that all?

The CHAIRMAN. Unless some other member of the committee desires to ask a question, that is all, Mr. Untermeyer.

Mr. UNTERMYER. Thank you.

(The witness was thereupon excused.)

The CHAIRMAN. Mr. Williams, do you desire to go on this morning?

Mr. WILLIAMS. If the committee please.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Continued.

Mr. WILLIAMS. Mr. Chairman and gentlemen, at Saturday's hearing I described the conditions which existed at the time of the beginning of the controversy as set by Mr. Hogan. He has three or four times in his testimony mentioned June 9 as the date of the beginning of the controversy. I have called your attention to the fact that it was on that day that the comptroller received the report from the national-bank examiner expressing the attitude of defiance which had been adopted by three or four of the officers of the Riggs Bank; their contemptuous references to the comptroller; their declaration that "we will have the comptroller into court in a minute"; the further statement—I think it was made by the particular officer who was required to leave the bank at the time of the perjury trial, Mr. H. H. Flather—to his cashier to the effect that "the comptroller can go to _____."

As I conducted my investigations I became more and more impressed with the fact that there must be some very strong motives with those officers, or with some of them, for refusing to give what seemed to me to be information which a bank should willingly and cheerfully and frankly give to the comptroller.

This particular officer, as I have stated, who used the strong language mentioned, was subsequently found to be guilty of swindling operations upon the customers and clients of the Riggs National Bank. In other words, the testimony and evidence, as the district attorney has shown you and as Mr. Untermeyer has told you, show that the cashier of the bank who had a private wire at his desk connecting the stock-brokerage office was systematically defrauding the bank's customers who gave orders for the purchase and sale of bonds and stocks, and that he was, to use Mr. Untermeyer's expression, pocketing those profits himself.

I do not know whether Mr. Untermeyer made it entirely clear to you as to how those operations were carried on, and I will take the liberty of illustrating once more.

John Smith would go to the bank and order 100 shares of steel, we will say, to be bought at 60. An order would be put in for the purchase of 100 shares of steel at 60. It would be entered in the bank's order book for bonds and stocks; although the bank claims not to have been doing a stock-brokerage business it had a large book with the name "Riggs National Bank" in big letters on the back in which it entered as many of the orders which it received as it cared to enter. I do not know how fully and completely those orders were entered in that book. Then they were given to the stock broker in Washington or New York for execution.

To refer back to this illustration, we will say that the order was received from John Smith for the 100 shares of steel at 60 or at market, we will say, stock then selling at about 60. The stock goes up to 61. The brokerage firm reports to the Riggs National Bank, "We have bought your 100 shares at 60 and it is now selling at 61. It has advanced 1 per cent since we have bought."

Mr. Flather omits to notify his customer that the stock has been bought at 60, and he telephones or telegraphs to the broker, "Sell that 100 shares of stock that you have just bought at 60, at 61, which is the present market price."

The bank sells the stock at 61 and there is a profit of \$100. Mr. Flather tells the brokers, "give me that profit of \$100 and I will go and buy another 100 shares of stock for Mr. John Smith."

The broker buys the stock at $61\frac{1}{2}$ and John Smith pays $61\frac{1}{2}$ for his 100 shares of steel which had really been bought on his order at 60. The difference between the 60, the price at which the stock was actually bought on the strength of the order given by the bank to the broker, and $61\frac{1}{2}$, the price to which the stock had advanced, is divided up in this way: One hundred dollars of it goes to Flather's pocket. The other one-half per cent is simply an extra cost which the customer has to stand because of the advanced market and of the refusal of the bank to give him the benefit of the purchase which had really been made on his order at 60 in the morning.

The district attorney, I think, has referred to those transactions of that character. Mr. Jesse Adkins has explained them in some detail, and Mr. Untermeyer has also advised you of the evidence which left no doubt whatsoever as to the fact that those swindling operations were going on by the bank in the name of its cashier, and, as far as we know, for the benefit of that cashier.

As to whether any of the other officers participated in those transactions, I think Mr. Untermeyer has stated that there was no evidence presented which implicated the other officials in those particular transactions.

Senator HENDERSON. Were those transactions going on in 1914 when you became comptroller?

Mr. WILLIAMS. I understand they had been going on for several years.

Senator HENDERSON. Upon an investigation did you find that such transactions were being carried on in 1914?

Mr. WILLIAMS. The affidavit which has been filed in the record here shows the date of a number of them which were developed and brought to light. They were very circumstantial.

The CHAIRMAN. I would say, Senator Henderson, that the district attorney and the assistant attorney both testified in regard to that matter and, I think, introduced the reports of the——

Mr. WILLIAMS. The affidavit.

The CHAIRMAN. The affidavit with regard to it.

Mr. WILLIAMS. They were established beyond doubt.

The CHAIRMAN. And I understand now that Mr. Williams is testifying from the knowledge——

Mr. WILLIAMS. From the examiner's report and the testimony which has already been made a part of the record.

The CHAIRMAN. From the testimony which has been put into the record.

Mr. WILLIAMS. I mention that as showing the demoralizing conditions which existed in the bank, and that was one of the many evidences of the irregularities and the unlawful practices which were unearthed and which were unearthed with great difficulty because of the refusal, and the reticence of the officers to give the information called for and, later on, they fell down upon the plea that to testify would incriminate them, and under advice of Mr. Hogan himself one or more of these witnesses were directed not to answer questions asked by the national bank examiner.

As I stated on Saturday, if there was any officer or responsible head of department of the bank who was not borrowing the bank's funds, I do not know who it was. I am referring, now, to the reports which were made by the national bank examiners for a period of years. I do not mean to say that every clerk was borrowing money for that whole time, but I do ask your especial attention, as an illustration, to the list which was presented to this committee on Saturday, where I think two vice presidents, four or five tellers, and bookkeepers, and thirty-three or thirty-four other officers and clerks were all borrowing the bank's funds on bonds and stocks or real estate for one cause or another; and the bank examiner—I think it was Mr. Reeves, to whom Mr. Hogan has referred—emphasized the fact that the Flatthers were speculating and borrowing and speculating the bank's funds on speculative securities. He called especial attention to the fact that those responsible officers were using the bank's funds in their speculations.

That is the atmosphere, gentlemen, which existed when we endeavored to get the information which I thought would be furnished instantly and without the slightest hesitation by any responsible bank officer who realized his duties and responsibilities. It was because of their twisting and turning and side-stepping and ducking and dodging these very simple questions that we found it necessary to have counsel prepare interrogatories which we submitted to them, making the questions as categorical as we could, so as to prevent them from evading them; but even then we were unsuccessful, and we had to send letter after letter in order to get information which should have been furnished at the first request.

I have shown you that although this correspondence went on for approximately 8 or 10 months there were comparatively few subjects which occasioned the correspondence or which were dealt with, but these few subjects would each involve numerous letters before we could get an intelligent answer.

I have explained the request made by them in August, 1914, that we should print a million dollars of additional currency for the bank,

and of the tedious and annoying correspondence which ensued because of their evasions and what seemed to us to be unfair positions taken on that subject which did not seem to be at the start so important.

The main subject of the controversy was the stock market operations conducted by the bank for this large number of customers and clients who were speculating in the market. I explained to you, Mr. Chairman, at Saturday's meeting, when there were very few Senators present, and it has gone into the record, why I made these inquiries as to the bank balances. I will not take up the time of the committee in going into it any further, but I will simply make the very brief statement that Mr. Hogan's claim or allegation that my motive there was to induce the bank to carry what he described as compensating balances is wholly fallacious. The action of the department was not prompted by any such thought or desire. It was simply to ascertain how far the bank's six or seven millions of dollars of funds on bonds and stocks were being used for the purpose of enabling the officers to get the commissions. I explained that the officers had expressly informed the bank examiners in May that those commissions all came to the bank's officers, and not to the bank.

The CHAIRMAN. May of what year?

Mr. WILLIAMS. May, 1914. Mr. Hogan had stated that the examiners and the department all knew the precise conditions under which the brokerages were obtained and disposed of, but the statement made by the three officers to the bank examiner was in direct contradiction of the statements which the same officers had made to other examiners a year or more before. The Treasury was in a quandary to know what the real facts were as to the brokerage business and how these commissions were disposed of, and a large part of the correspondence at that time with the bank was in the effort to get the bottom facts in regard to those stock dealings which were being facilitated by the three private wires which were running into the bank's executive offices, and it was their refusal to inform the Treasury frankly and clearly on that subject that brought about the oral examinations of these same officers by the national-bank examiners in January, 1915.

At this afternoon's hearing I shall ask your permission to read into the testimony the statements made at that time by those officers in regard to that account; but Mr. Untermeyer has stated so very clearly the ethics of the situation and the inexcusable irregularities which had been discovered and the very grave dangers which threatened the bank, because of these operations, that I hardly think it would be worth while for me to enlarge upon that to any great extent now except to say that those very conditions which I discovered in the Riggs Bank—the manipulation of the bank's funds for the benefit of its officers and for speculative ventures—have been the most fruitful source of failures among national banks in the past; and I want to repeat and reaffirm here, Mr. Chairman and gentlemen, the statement which I made at the February hearings, that I consider that the action which the Treasury Department took shortly before the outbreak of the war in stopping those operations and those irregular transactions by the bank's officers or by the bank has been one of the most beneficial things—has been probably the best thing that has ever happened for the stockholders and depositors of the Riggs National Bank.

I shall present to you figures presently which will show you that while for a period of 10 years, up to the time that the Treasury began these investigations, the Riggs National Bank had shown little or no growth in resources and in deposits, a very small increase, perhaps 15 or 20 per cent, something of that sort, maybe, and I desire to comment on that. In my judgment the omission of the bank to grow more rapidly than it did in those 10 years was due largely to the fact that the energies and attention and activities of the officers of the bank and of its personnel, from top to bottom, were more directed toward stock-market operations than toward the administration of the affairs of the bank as a commercial institution. In support of that suggestion I point out that when these stock-market operations were required to cease and when the officers of the bank were required to give their undivided attention to the real interests of the bank, its resources and deposits have grown rapidly, indicating an increased confidence in the stability of the institution on the part of the public as a result of the supervision and regulations of the Treasury Department, and that these resources, which in the previous 10 years had scarcely grown at all or grown to a very small percentage, have, since the Treasury's efforts to purify and cleanse the bank of these irregular and unlawful operations, practically doubled or grown approximately 100 per cent.

I think that is another illustration of the truth of Benjamin Franklin's maxim that "Honesty is the best policy."

I would like to lay before you, Mr. Chairman and gentlemen, this copy of the Lammond affidavit. I think the Lammond affidavit is in the hearings, but to this is attached the forms and orders, and the checks and notices which passed between the Riggs National Bank and the firm of Lewis Johnson & Co. The bank's officers had testified that the bank had not bought and sold stocks to Lewis Johnson & Co. We found thousands of cases of transactions of that kind.

The CHAIRMAN. Do you want that affidavit reprinted in connection with this statement?

Mr. WILLIAMS. No, sir; I do not; it is printed at the end of Mr. Hogan's testimony, I think, but it would be well to print these forms and notices and copies of checks which closed transactions. If you desire it, I should be very glad to furnish them for printing.

The CHAIRMAN. That is a question for you to decide, Mr. Williams. If you ask that they be put in, I suppose there will be no objection to having them printed.

Senator FLETCHER. That affidavit has certain exhibits attached. It says:

I attach hereto, marked "D," "E-2," "E," "E-1," and "E-2," copies of the sales slips, reports of sales to the bank, and checks for the proceeds of sales, respectively, on two other transactions of a similar character.

It might be well to mark them according to the marking in the affidavit in the record.

Mr. WILLIAMS. Very well; I will do that by permission of the committee.

Senator HENDERSON. Are you starting on a new subject now?

Mr. WILLIAMS. Yes, sir.

Senator HENDERSON. Will it take long? It is nearly 10 minutes of 12.

Mr. WILLIAMS. No, sir; it will not take long. I just want to submit my comments upon Mr. Darlington's testimony in a few respects.

Only because of your courteous admonition, Mr. Chairman, that I should take pains to deny every allegation that might seem to be or might be construed by any member of the committee as material, I call attention to these matters that I do not regard as material, but which, rather than to run the risk of being criticized for refusing to answer, I will comment upon.

On page 166 Mr. Darlington says:

We were informed that the comptroller held that he could not renew the charter without such an examination.

That is practically correct, that the bank had to be examined before the charter could be renewed. But he follows that the statement that "although the bank had been in the hands of the comptroller and his officials daily for more than a year, and we thought he knew all about the bank." Mr. Darlington is mistaken in that respect. The examiners had not been in the bank for a year. They had been there from time to time during the year, but not continuously, and it was necessary in accordance with the invariable custom of the comptroller's office to have a bank examined shortly before the comptroller acts upon the renewal of its charter.

Mr. Darlington, on page 167, says in reply to a question of Senator Henderson:

SENATOR HENDERSON. It is on page 309, I think, in the record. The agreement of June 21 is signed by all the officers and directors of the Riggs National Bank.

MR. DARLINGTON. Yes. I tried very hard to have the condition withdrawn that the equity suit should be dismissed.

I hope that Mr. Untermeyer has covered that point sufficiently in his statement before your committee this morning.

It was obviously impracticable or highly undesirable to expect the comptroller to give favorable consideration for the application for the renewal of the charter for that bank when the bank still contended and was standing upon the position that it would not furnish reports as to its condition which the comptroller thought essential or necessary for a correct understanding of its affairs and general condition. If the Riggs Bank had said, "We disagree with the decision of Justice McCoy that your reports have all been properly called for and we think that Judge McCoy has made a mistake, and we will not send you these reports, and we will not let you know anything about our business except what we think you ought to know," I hardly think that any member of this committee would expect the comptroller to renew the charter for the bank under those conditions. I think Mr. Untermeyer has made the reason for that very clear.

SENATOR FLETCHER. No matter how solvent it might be?

MR. WILLIAMS. No matter how solvent it might be. It might be solvent to-day and ruined to-morrow. We have had many cases of banks which at one time were strong and solvent, but which a few months later had gone by the board with the loss of thousands of depositors.

SENATOR HENDERSON. I look at it rather in the light that as to agreeing with you to comply with the law they would have to comply with it whether it was an agreement or not. In other words, whatever the law requires in regard to reports, they would have to make them.

Mr. WILLIAMS. But they were undertaking to construe the law for themselves. They said, "We will not accept the comptroller's conception of the law, but we will do what in our judgment the laws says we ought to do."

Senator HENDERSON. As I understand it, under this agreement they were expected to file with you any report that you called for?

Mr. WILLIAMS. Yes, sir; under this agreement that they all signed they agreed that they would accept as final Justice McCoy's sweeping and overwhelming decision of the comptroller's powers, saying that every requirement which had been made had been properly made and that the comptroller would have been justified in assessing a fine for every refusal on the part of the bank to furnish the information called for in each one of these reports.

Senator FLETCHER. In other words, it was an agreement not merely that they would make reports in accordance with the law but in accordance with law as laid down by this decision of the court?

Mr. WILLIAMS. Exactly.

I call your attention to this fact, also, that if the bank had been unwilling to abide by the law or to accept that decision as final, they had the alternative. They have informed your committee that they had already obtained a State charter with which to continue their business. They have informed you that they had gone so far as to have a sign painted and that the sign was ready to be put up on the front of the adjoining building of the "Riggs State Bank," so that there could have been no danger of ruining the bank because of its omission or refusal to accept as law Justice McCoy's decision. If they had been unwilling to accept that decision, why did they go ahead with the State bank?

The CHAIRMAN. Do you think they could have merged into a State bank without any injury or disadvantage?

Mr. WILLIAMS. I naturally think, Mr. Chairman and gentlemen, that the national banks have advantages—

The CHAIRMAN. Yes.

Mr. WILLIAMS (continuing). But, at the same time, I call your attention respectfully to the fact that there are exclusive State banks in this district. The principal stockholders of the Riggs National Bank are also still larger stockholders, some of them, in a State institution adjoining the Riggs National Bank—the American Security & Trust Co., which has been a successful State banking institution. One or more of the principal officers of the Riggs Bank to-day have larger financial interests in that State institution next door than in their own bank; and I think that condition existed at the time of the renewal of the charter and for several years previously.

The time that Mr. Darlington took up in discussing the question as to whether or not the charter should be renewed and the question as to whether stamps should be put on seems to me to be too trivial to be commented on. It seems to me he was pretty hard up if he had to take up the time of the committee on that, especially when he notified you in the same breath that the comptroller had stated that those little irregularities would not be allowed to interfere with the renewal of the charter, and he might consider that they had been corrected.

Mr. Darlington says on page 169 that there never had been an investment made in stocks by the bank since its creation. He goes on

and says that they inherited from the old concern some stocks, and that some of those stocks were of very slow liquidation; it took a long time to get rid of them.

I do not think that statement ought to be permitted to stand just as it is made there. As a matter of fact, the records indicate that there were stocks bought from time to time, and I call your especial attention to the transaction which I pointed out a few days ago, where, after 10 years or more of criticism, the comptroller had said, "You must sell these stocks; you must get rid of them." He says they were slow in disposing of them. It is absurd to suggest that they could not have disposed of them in 10 years. But at the end of 10 years, after receiving numerous criticisms and statements that they must dispose of them, they said, "We have sold all our stocks. The few that are left we expect to get rid of shortly." That was signed by the officers and directors.

When I call your attention to that incident I take occasion to say that the officers of the bank, or some of them, were deceiving the directors in getting them to sign that statement, because I believe there are men on that board who would not have signed a false or inaccurate or misleading statement like that. How had they sold them? They had not sold them at all. They transferred them to one of the dummies in the bank, a dummy clerk, and this dummy clerk had given his note as collateral. When the comptroller wrote to them and said, "You said you had sold your stocks, but you did nothing of the sort. They are carried by a dummy, and you must get rid of them in good faith," then they carried them back to the bank, carried the transaction which had been standing for months and months until discovered by the examiner, and then later on, instead of selling the stocks as they should have done in good faith, they disposed of them into the Flather account, which was another dummy account and which was really the bank's own property, as has been pointed out frequently in these hearings.

I wish to make that comment upon Mr. Darlington's statement which, I think, he made rather carelessly. I am not willing to think that Mr. Darlington would have attempted to mislead the committee in that respect, and I do not believe that he knew of this incident when he made that statement to you. The stocks could have been sold in a month or a week or a day, but the bank took 18 years to sell them and were carrying them under all sorts of cover in the meanwhile. Mr. Darlington has very frankly stated, on page 169, in connection with the delay in bringing the perjury suit, that the docket was badly congested, as it always is, and he pointed out to you that the district attorney had stated as reason for the delay in bringing the perjury case that the district attorney had said that there were men in jail who had not been tried and who could not get bail, and he thought they ought to be brought up first.

Shall we adjourn now, Mr. Chairman?

The CHAIRMAN. Mr. Williams, do you intend to occupy the whole afternoon?

Mr. WILLIAMS. Possibly, with your permission.

The CHAIRMAN. Suppose we take a recess until 2.30.

Senator HENDERSON. Before we adjourn, Mr. Chairman, I would like the record to show that there are a number of members of the committee absent and that their absence is unavoidable. Take, for instance, Senators Hitchcock and Pomerene. They are on the

Foreign Relations Committee, and they are having hearings daily and they can not attend these hearings. There are other members of this committee who have other very important hearings, and I would like the record to show the reasons for their absence.

(Whereupon, at 12 o'clock noon, the committee took a recess until 2.30 o'clock p. m.)

AFTERNOON SESSION.

The committee met, pursuant to adjournment, at 2.30 o'clock p. m.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Continued.

Mr. WILLIAMS. Mr. Chairman and gentlemen, I have alluded before to the confused and contradictory statements, which met me at every turn, when I tried to find out how the Riggs Bank was conducting its stock-brokerage business, and how the profits were going. I read you, a day or two ago, an affidavit from the national-bank examiners relative to the statements which had been made to them by the officers of the Riggs National Bank as to their personal earnings from those commissions and profits. I think that letter of the comptroller, if I remember correctly, was dated June 9, 1914, the date on which Mr. Hogan has repeatedly said this controversy began. I now wish to ask your attention to a communication with the president, vice president, and cashier of the Riggs Bank addressed, on June 18, 1914, to the board of directors of the Riggs National Bank, and I ask that that letter be included in the record.

(The letter is as follows:)

THE RIGGS NATIONAL BANK,
Washington, D. C., June 18, 1914.

TO THE BOARD OF DIRECTORS,
OF THE RIGGS NATIONAL BANK,
Washington, D. C.

GENTLEMEN: There is an account on your books entitled W. J. and H. H. Flather, the cash balance now to the credit of which is \$503.98, and the following investment securities which have been purchased from time to time with money withdrawn from this account and another account, entitled Charles C. Glover and William J. Flather, are now in the bank vault, viz:

Promissory notes of:

D. W. and E. A. Manners-----	\$500,	5 per cent,	due Dec. 10, 1915.
Charles S. Rice-----	1,250,	5 per cent,	due Apr. 20, 1916.
James H. Hensley-----	500,	5 per cent,	due May 14, 1915.
Walker and Johnson-----	5,000,	5 per cent,	due Apr. 23, 1919.
Walker and Johnson-----	5,000,	5 per cent,	due Oct. 23, 1919.
John Taylor Arms-----	2,500,	5 per cent,	due May 19, 1915.
M. W. and Walter S. Abraham-----	1,000,	5 per cent,	due Apr. 30, 1917.
James H. Hensley-----	1,000,	5 per cent,	due May 14, 1916.
James L. Pugh-----	1,500,	5 per cent,	due May 26, 1917.
D. E. Rogers-----	1,750,	5 per cent,	due May 20, 1915.
Charles S. Rice-----	1,250,	5 per cent,	due Apr. 20, 1916.
Solomon Minster-----	1,000,	5 per cent,	due Oct. 25, 1914.
Hy. S. Graham et al-----	1,000,	5 per cent,	due June 3, 1916.
J. Augustus Taylor et al-----	850,	5½ per cent,	due Dec. 20, 1916.
Florida Yulee Neff-----	2,000,	5 per cent,	due Jan. 6, 1916.
Louisa S. Randall-----	1,500,	5 per cent,	due July 2, 1916.
Alexander G. Bentley-----	6,000,	5 per cent,	due Nov. 2, 1914.
Sanner and Hill-----	2,500,	5 per cent,	due Mar. 26, 1917.
Robert L. Preston-----	1,000,	5 per cent,	due Nov. 29, 1914.
John Taylor Arms-----	1,000,	5 per cent,	due May 19, 1915.

Stocks:

42 shares Real Estate Title Insurance Co.
 1,757 shares Columbia Title Insurance Co.
 25 shares American Graphophone Co. common.

During the partnership of Riggs & Co., it was customary for one or more of its members to assist its customers to make investments, receiving certain compensation by way of commissions therefor, which compensation was at first credited to the commission account on the books of the firm and later transferred to the credit of the profit and loss account of the partnership. After the incorporation of the Riggs National Bank such business was continued to be done by certain of the officers of the bank acting in their individual capacities, and sums received by way of compensation on account of such transactions were passed to the credit of the accounts on the books of this bank, entitled "Chas. C. Glover and Wm. J. Flather," and "W. J. Flather and H. H. Flather," which accounts commonly have been and are referred to as the "Glover and Flather" and the "Flather and Flather" accounts.

The existence of these accounts and the character of the transactions which the entries noted therein were intended to evidence, have been made known to every bank examiner who had examined and reported upon the bank's condition, and likewise has been made known to the successive Comptrollers of the Currency and some, if not all, of the Secretaries of the Treasury in office since 1906, with the exception of the present incumbent, having been personally informed of the practice of the bank officers in this regard and no objection has at any time been made to their continuing the same.

On April 17, 1914, the account—Chas. C. Glover and Wm. J. Flather—for purposes of convenience, was closed out and its credits of every sort were transferred to the credit of the account—W. J. and H. H. Flather.

Whether the officers of the bank, who in their individual capacities rendered the services which produced the revenues which passed to the credit of the above account were entitled to receive and retain such revenues for their personal benefit is not material, for no one of them has ever claimed or has ever intended to claim or has ever retained or ever expected to retain any part of such revenues for his personal benefit. From time to time various amounts have been withdrawn from each of said accounts and used for the benefit of the bank, and from time to time sums have been withdrawn from each of said accounts and directly passed to the credit of the profit-and-loss account of the bank.

These facts are each and all doubtless perfectly well known to you, but we make this statement at the present time in view of the communications referring to the general subject lately received from the Comptroller of the Currency and in order that this statement may be made of record in the minutes of the bank.

Respectfully, yours,

CHAS. C. GLOVER,
 WM. J. FLATHER,
 HENRY H. FLATHER.

The real estate loans stated above were taken as additional collateral for loans previously made, the greater portion of which is secured by stocks and were, therefore, reported under Sections "B" and "E."

August 13, 1914.

HENRY H. FLATHER, *Cash.*

That was nine days, apparently, after the controversy began in which investigation the Treasury was earnestly trying to find out what the real truth was in regard to those stock and real estate operations, and it appears that the bank officers wanted to make some record with regard to it with their board of directors. The statements which they made on that date were directly contrary to the statements which they had made about a month before to the national-bank examiner, as certified to by the examiner and the assistant.

Senator GRONNA. Is it true that Flather and Flather and Mr. Glover had made it known to your office before that loans were made to these people and the profits were turned over to the bank? Is that a matter of record in your office?

Mr. WILLIAMS. The record is full of contradictions in that connection. I ask your attention to a report made by Owen T. Reeves, the national-bank examiner to whom Mr. Hogan has frequently referred. In his report of November 28, 1910, Mr. Reeves states:

A commission and brokerage business is carried on by President Glover and Vice President Flather, who are members of the local stock exchange, and commissions are credited to deposit account, "C. C. Glover and W. J. Flather." Commissions received through the placing and collection of real estate loans is credited to deposit account, "W. J. Flather and H. H. Flather." At intervals the balances in both the accounts are wiped out by investments in real estate notes which I understand are regarded as property of the bank and not shown by the books.

That is the statement to the comptroller's office in 1910 by Owen T. Reeves, who has here been referred to as a witness for Mr. Glover and Messrs. Flather in the perjury suit.

Senator GRONNA. But the direct statement is made there, Mr. Williams, by Glover and by the Flathers, that on examination of their bank the examiners had been permitted to, and had, examined these books, and at no time have attempts been made to keep it away from the examiners; that the books themselves show these transactions; and of course if a thorough examination of the books were made, necessarily the examiner must have been able to discover that the facts are as stated by Glover and Messrs. Flather.

Mr. WILLIAMS. Mr. Chairman and gentlemen, I think those statements made by Examiner Reeves seem to be quite clear. Whether or not they are accurate, I think they seem to be clear. I do not think they are capable of a double meaning.

As I understand, you raised the point as to whether that was true, whether that reflected conditions.

Senator GRONNA. Mr. Reeves does not seem to deny it.

Mr. WILLIAMS. I call your attention for a moment to the fact that this statement to the board of directors on the 18th denied that the earnings of the bank at any time, from these commissions and brokerages, had gone to the officers of the bank. But I will show you that about a month after that Mr. Glover wrote his letter stating that he was mistaken in saying that the officers had at no time received those profits, but that the firm of Glover, Hyde, Johnston, and others had collected these brokerages from 1897 to May, 1902, to the extent of about \$46,000. At the time this deliberate statement was made by those three officers to the board of directors of the bank, that collection by the individuals for a period of four or five years appears to have been overlooked by the officers, and not reported in the statement.

The CHAIRMAN. Mr. Glover was not at home at the time, and he explained it; his son was sick and when he got back he reviewed the correspondence and refreshed his recollection, and wrote you in regard to it.

Mr. WILLIAMS. I am not speaking of his letter to me in which he made that declaration. I am referring to something which has perhaps not been brought to your attention before, and that is a letter by Mr. Glover and the vice president and cashier of the bank, written on June 18 to the board of directors to get on the records this fact. I do not think that has been brought into the record before, showing that it was a very deliberate statement, prepared for their board of directors.

I now ask your attention to my letter to the Riggs National Bank of April 5, 1915, in volume 2 of the correspondence with the bank, on page 187. I refer to the fact that after three denials by an officer or officers of the bank that they had received these commissions, they now admit that they had received some \$46,000 for a period of four or five years, and after quoting the exact record, I say:

Comment by this office at this time seems to be superfluous.

I then go on and say:

The firm of "Glover, Hyde, Johnston, and others," whose paid-up capital Mr. Glover says was \$30,000, appears to have conducted its business at the office of the Riggs National Bank, and to have gathered in and divided among its members more than \$46,000 of commissions or profits in these five and one-half years; but they seem to have evaded during the entire period they were conducting the business the payment of the license taxes required by the laws of the District.

It is significant that "Glover and Flather" and "Flather and Flather" were equally forgetful as to the payment of license taxes in connection with the large real estate commissions which they collected, although Mr. Glover and the Messrs. Flather both claim to have paid the income taxes, including these earnings in their personal returns.

It is, of course, impossible to determine what eventually would have become of the funds accumulated to the credit of "Glover and Flather" and "Flather and Flather," had it not been for the investigations which have been recently conducted.

I ask your special attention to that feature of the case. [Continuing reading:]

The following extracts from the testimony given under oath by the bank's officers will show the nature and status of the account known as "Glover and Flather" to which the sum of \$56,918.54 had been improperly credited, and a somewhat similar account carried on the books of the bank known as "Flather and Flather":

Mr. C. C. Glover, the president of the bank, was being examined under oath by the national bank examiner on January 6, 1915. There were present the counsel for the bank, Mr. Bailey and Mr. McKenney, President C. C. Glover, Vice President M. E. Ailes, and Cashier H. H. Flather. Mr. McKenney was counsel for the bank and also a director.

The examiner read to Mr. Glover an extract from a report made by a national bank examiner to the comptroller's office on November 28, 1910, on the "Glover and Flather" account, as follows:

This extract which was then read was the extract which I read to you from Mr. Owen T. Reeves's report a few moments ago. It is as follows:

At intervals the balance in both accounts [meaning Glover and Flather and Flather and Flather] are wiped out by investment in real estate notes, which I understand was regarded as property of the bank not shown by the books.

The examiner asked:

Is that a correct statement?

The national bank examiner asks Mr. Glover if that statement in regard to the status of the Glover and Flather and Flather and Flather accounts was a correct statement. Mr. Hogan, in his testimony, has been insisting that the whole thing was correctly stated by the examiners to the department, especially by Mr. Owen T. Reeves; that he was the man who made the statements as clear as the midday sun. Here is Mr. Glover's answer:

Mr. GLOVER. No, sir; it is an absolutely incorrect statement, we never claimed that this money belonged to the bank until we chose to dispose of it.

That statement of Mr. Reeves, which Mr. Hogan has so commended as setting forth the exact truth, Mr. Glover says is an absolutely incorrect statement. I say, gentlemen, that these inconsistencies and contradictory statements meeting us at every turn were the cause of a great deal of the trouble we have had in this whole controversy, direct contradictions of the officers of the bank themselves from day to day.

Senator GRONNA. Of course, at that time, Mr. Williams, is was suggested at least that this bank should lose its charter.

Mr. WILLIAMS. This was before the action began, Senator, before the suits began, before any of the suits began.

Senator GRONNA. This testimony was taken in 19—

Mr. WILLIAMS (interrupting). In January, 1915, before there were any suits. The suit was begun in April, 1915, and this was three months earlier.

Senator FLETCHER. Before they had applied for an extension of charter?

Mr. WILLIAMS. Yes; before they had applied for a charter at all. The charter did not expire until 18 months later.

Senator GRONNA. What I was going to call your attention to, Mr. Comptroller, was this: Naturally, if they applied to have their charter renewed they would be anxious to show that the bank had committed no violation of law. Technically, it would be a violation of law to say that this money belonged to the bank, because under the law and under the rulings of your office national banks are not permitted to loan money on real estate, or to transact a stock-brokerage business. These people would naturally want to show that their bank, or the officers of the bank, had not violated the law, because if they had, they could not expect to be granted a charter.

Mr. WILLIAMS. I am sure you do not mean to suggest that they should attempt to show that they had not violated the law if they had been violating the law.

Senator GRONNA. No; but technically he is correct when he states that this profit did not belong to the bank until the dividends were declared, which were all the time paid over on the bank. That is technically correct, is it not?

Mr. WILLIAMS. It is a denial of the correctness of the statement of the bank examiner which has heretofore been pronounced to be exactly correct by Mr. Hogan in his testimony, apparently, as I understand it. Now, Mr. Glover says it is absolutely incorrect. I will go on:

The EXAMINER. There was never any understanding with the board of directors?

I have read you Mr. Glover's statement, signed by Mr. Glover and the two Flathers, as to how thoroughly the board of directors understood the whole business. Mr. Glover says, "Never." He continues a statement which is not material, and I will not read that here. The examiner then goes on:

Then you claim that you never have derived any benefit, never intended, and never will derive anything from the proceeds of these accounts?

Senator GRONNA. Who asks that question?

Mr. WILLIAMS. The examiner. Mr. Glover says:

That is what—

Mr. McKENNEY. One minute. "Never will" is a long way off.

Mr. GLOVER. I have a perfect right to, but I have stated I never have. You are correct in your statement that I made such a statement as that.

Mr. BAILEY. Just to say that you will, of course, is a mere matter of declaring your intention.

EXAMINER. He has a right to state his intention under oath.

Mr. BAILEY. And would have a perfect right to change that without violating the oath. The fact that he has not up to this, and the fact that he does not now intend to, are questions of fact, of course. As to whether he will or not—

Mr. GLOVER. It is a fact that the money in that account belongs to the three of us.

Mr. McKENNEY. And it is subject to your order and disposition.

Mr. GLOVER. Yes; it is subject to my order and my disposition, and those of my coowners.

EXAMINER. As a matter of fact, was it not always understood between you and the directors of the bank that all the profits arising from these transactions placed in these accounts were, in reality, funds of the bank, and that they would ultimately be transferred to profit and loss or some similar account in the bank?

The examiner asked that assuming that there was ground for the statements which had been made by Mr. Glover and the other officers of the bank, that a national bank examiner was in, made examination after examination and reported to this office, and when it was put to him in precisely that language, what does Mr. Glover say? "Absolutely no." Where are we? Gentlemen, where do we stand? What should we think with that directly conflicting testimony before us? We just did not know who was telling the truth and who was not.

Senator GRONNA. Does it show anywhere that these people were conspiring to rob the bank of any profits?

Mr. WILLIAMS. We were trying to find out whether they were or not, gentlemen, and here is the conflicting testimony that is offered.

The CHAIRMAN. In Mr. Glover's testimony somewhere—I do not know whether it is in this connection—it is made very clear that for a period some of them felt that these profits belonged to themselves, but that they had decided that under the circumstances, in the nature of the business of the bank, it would be proper in the future to turn the profits over to the bank. While they might technically claim them, they decided to turn them over. I remember that testimony of Mr. Glover.

Mr. WILLIAMS. Oh, yes; you can remember throughout this record testimony directly contradictory to testimony given before by the same men.

I have just read Mr. Glover's answer, "Absolutely no," denying the correctness of the statement which had been made by the officers of the bank to the examiners, and reported by the examiners to the comptroller's office. Then Mr. McKenney says:

Mr. McKENNEY. I have not the slightest hesitation—

Mr. GLOVER. Many of the directors had no knowledge whatever of the character of this account at all.

That is Mr. Glover's testimony on January 15, and on June 18, 1914, he had said to the board of directors, over his signature and those of Mr. William J. and H. H. Flather:

These facts are each and all doubtless perfectly well known to you.

What should we conclude from such testimony as this? I go on:

Mr. GLOVER. Many of the directors had no knowledge whatever of the character of this account at all.

Mr. McKENNEY. I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books. I have been a director since January 1, 1910, and never heard of the accounts until this correspondence began, and I do not believe that, outside of the officers, you will find any other directors on this board who know anything about it, with the possible exception—

It is so absurdly contradictory as to be almost amusing. It is more tragic than amusing, gentlemen. [Continuing reading:]

EXAMINER. You make that statement as a director of the Riggs National Bank?

Mr. McKENNEY. I say that as a director of the Riggs National Bank, and having been a director since January 1, 1910, I never heard of the account of either Glover and Flather or Flather and Flather up to the time of this correspondence beginning. I did not know that any such account existed.

Senator NEWBERRY. What is the date you think he refers to when he says the date of this correspondence beginning. The correspondence began with the letter you read signed by the officers?

Mr. WILLIAMS. Mr. Hogan has referred to the beginning of the controversy as June 9, 1914. Here is the formal letter on June 18, 1914, written by Mr. Glover and the two Flathers, endeavoring to make the Glover and Flather and the Flather and Flather accounts a matter of record, and takes pains to say:

These facts are each and all doubtless perfectly well known to you.

Senator FLETCHER. That is a letter to whom?

Mr. WILLIAMS. That is a letter signed by the president, the vice president, and cashier of the bank to the board of directors.

Senator NEWBERRY. What I am trying to get at is, Do you think Mr. McKenney, in his testimony, meant to fix the date of the beginning of the correspondence as in June, earlier than the letter you read of the officers of the bank?

Mr. WILLIAMS. You see, there were only nine days' difference between the beginning of the correspondence and the letter which the officers wrote to the board of directors in regard to these accounts. One was written June 9 and the other June 18.

Senator NEWBERRY. Is it not fair to assume that Mr. McKenney referred to a date in June?

Mr. WILLIAMS. Presumably he referred to the time that the officers formally notified the bank that there were these accounts, and up to that time he had never heard of them. I think that is a fair assumption. [Continuing reading:]

EXAMINER. Then, your claim is that the commissions credited to Glover and Flather were the personal profits of the individuals, including yourself, in an undetermined proportion, and that the bank had and has no claim?

Mr. McKENNEY. No legal claim.

Mr. GLOVER. No legal claim on it.

EXAMINER. And those profits or commissions arose out of personal transactions of the officers of the bank, officers of the bank acting in their individual capacity?

Mr. GLOVER. Yes; that is exactly how they did arise.

EXAMINER. Then, as soon as any amounts had been credited to either of these accounts, it became subject to the check and to the disposal of these individuals?

Mr. GLOVER. That is true.

EXAMINER. And in no manner subject to the disposal or check of the officers of the Riggs National Bank acting in their official capacity?

Mr. GLOVER. That is also a true statement of the case.

Despite those contradictions, they were claiming up to the last that those profits were their individual profits, and that they had a complete right to all the profits credited to those accounts.

I will now show you where the bank's credit or funds were used for the purchase of a half million or a million or a million and a half dollars of Government bonds on a joint account with the National City Bank, where the bank stood to lose if the transaction had gone the wrong way, according to the evidence, and as shown by the letters and correspondence in the case, which I will ask to be included in the record. And I will show you that the profits derived from those operations in Government bonds were credited to that personal account of Glover and Flather or Flather and Flather, in which they claim the bank had no interest at all, and I think that the bank made one or two sworn reports to the Comptroller of the Currency, over the signatures of its officers, in which they hid, concealed, or omitted to give those profits, which really belonged to the bank, but which they kept concealed in the Glover and Flather account, in regard to the existence of which Mr. McKenney, counsel for the bank and a director, says not a director of the bank knew anything about except the officers, to the best of his knowledge and belief.

EXAMINER. Mr. Glover, in the account of Glover and Flather, under date of February 4, 1908, there is an item listed "Commissions and profits, sale of the U. S. 4 per cent bonds, \$24,704.16"; and under date of February 24, 1908. "Profits on sale, U. S. 4 per cent bonds of 1925, \$32,214.38."

Mr. GLOVER. Yes.

EXAMINER. What knowledge have you of the transaction from which those profits arose?

Gentlemen, that was in early 1915 Mr. Glover was being examined about that transaction. The bank did not have those large transactions in Government bonds frequently. It was one of the few transactions of that size in Government bonds that they ever had, if not the largest they ever had, and it is reasonable to suppose that a very large profit having accrued from that transaction, it would not have entirely escaped Mr. Glover's memory, which is usually quite alert. Here is his testimony, in answer to the examiner's questions, Mr. Glover testifying under oath:

EXAMINER. What knowledge have you of the transactions from which those profits arose?

Mr. GLOVER. At the present moment I have not any recollection of just how they arose. [To Mr. Ailes:] That was a California matter, was it not?

Mr. AILES. I have heretofore explained that fully.

Mr. GLOVER. That was fully explained by Mr. Ailes, who actually had to do with that.

EXAMINER. You know, then, from what those profits arose?

Mr. GLOVER. Yes; but I would have to go back over the—there is another officer in the bank who can give you the entire details of that. It was in his hands. It only came to me as a finished transaction.

EXAMINER. From what transaction did that profit arise?

Mr. GLOVER. It arose out of the sale of certain bonds. What is that date?

EXAMINER. February 4 and 24, 1908.

Mr. GLOVER. I can not recollect. I would have to go back over that. [After conference with Mr. H. H. Flather.] That can be explained to you by another officer of the bank.

EXAMINER. By what officer?

Mr. GLOVER. Mr. Ailes.

EXAMINER. Mr. Ailes handled the transaction personally?

Mr. GLOVER. Yes.

Mr. AILES. I handled it; yes..

EXAMINER. You had no connection with it yourself?

Mr. GLOVER. I knew at the time just what was going on.

Bank Examiner addressing Vice President W. J. Flather.

EXAMINER. What was your interest, Mr. Flather, in the firm of Flather & Flather, in April, 1914?

Mr. FLATHER. No special interest; just a member of that firm.

EXAMINER. Was your proportion defined or not?

Mr. FLATHER. No; it was not defined.

EXAMINER. There were three members of this firm?

Mr. FLATHER. Yes. It was really Mr. Glover and I who made the money, although sometimes when Mr. Glover and I would be away in the summer, my brother would make some.

Then I omit some of the following testimony, and state in this letter:

The national-bank examiner was, later during the same day, examining Mr. W. J. Flather, vice president of the bank, in regard to a statement which W. J. Flather had previously made to a national-bank examiner to the effect that the profits derived from the account of Flather & Flather were "personal profits" and were returned as income by the individual members of the firm and the income tax paid upon them by these individuals.

Bank Examiner, addressing Vice President W. J. Flather.

EXAMINER. Did you return any portion of Glover & Flather?

"Mr. FLATHER. Mr. Glover paid all the tax on the income from Glover & Flather.

"EXAMINER. Was it an understanding between you and your brother and Mr. Glover that he should pay all on Glover & Flather, and you and your brother should pay 50 per cent each on Flather & Flather?

"Mr. FLATHER. Mr. Glover said he would pay all on Glover & Flather, and my brother and I arranged to pay the income on Flather & Flather account."

Now, gentlemen, see how these contradictions become more and more confusing. Here they are testifying under oath before the examiner that these were their personal profits and that Mr. Glover paid the income tax on his portion, and that the two Flathers paid the income tax on the rest.

Mr. Flather subsequently denied the statement which he had previously made to the national bank examiner and claimed that while he had paid an income tax on the account of the firm of Flather & Flather he had charged the amount of the income tax later on to the bank, thereby recouping himself for the tax paid.

The man who denied the statements which he had made to the examiner—and as to the facts of his having made that statement, both the examiner and the assistant examiner have made affidavits—that same man, H. H. Flather, was the man who was required to get out of the bank in October, 1915, I think it was, and whose systematic defrauding of the bank's customers has been shown to your committee. The examiner continued his examination of Mr. W. J. Flather:

EXAMINER. Then the commissions credited to Glover & Flather and Flather & Flather immediately became the property of you individuals in an indefinite or an undetermined proportion?

Mr. FLATHER. Yes.

EXAMINER. And the bank had no claim whatever?

Mr. FLATHER. None whatever.

EXAMINER. The funds were subject to your check as individuals, and not as officers of the bank?

Mr. FLATHER. That is right.

EXAMINER. And that is also true of the present balance standing to the account of Flather & Flather?

Mr. FLATHER. Yes, sir.

EXAMINER. What would become of your proportion of Flather & Flather, and its securities, if you should die, Mr. Flather?

Mr. FLATHER. That would have to be determined by law, Mr. Smith.

Mr. BAILEY. Unless your executor himself were to dispose of it as he knew you wanted it disposed of?

Mr. FLATHER. Yes; if I should put that in my will; of course that is another matter.

EXAMINER. Mr. Flather, in the account of Glover & Flather, under the date of February 4, 1908, there is a credit of \$24,704.16, and under date of February 24, 1908, \$32,214.38. Those are itemized as "Profits from the sale of U. S. 4 per cent bonds." What, if anything, do you know about that transaction?

Mr. FLATHER. That is a matter that Mr. Ailes had entire control of, as far as I know. I had nothing whatever to do with it.

EXAMINER. In your affidavit, or sworn answer to interrogatories, under date of July 14, 1914, Mr. Flather, you state, in substance, that the commission account is an account to which, in the first instance, profits arising from the purchase and sale of Government and other bonds are credited. That being the case, why did not these credits referred to here in February, 1908, go to commission account?

Mr. FLATHER. I say, Mr. Smith, to repeat what I said before, that I had nothing whatever to do with it.

My letter of February 3 continues:

Mr. C. C. Glover, president, and Mr. W. J. Flather, vice president, partners in the firm of Glover & Flather, both having denied knowledge as to the transaction by which \$56,918.54 had been credited to their account (Glover & Flather) on the books of the Riggs National Bank in February, 1908, as shown by the testimony—

"Bank examiner, addressing Mr. Glover:

"EXAMINER. What knowledge have you of the transaction by which these profits (\$24,704.16 and \$32,214.38) arose?

"Mr. GLOVER. At the present moment I have not any recollection of just how they arose. That was a California matter, was it not?" And the examiner having asked Mr. W. J. Flather what, if anything, he knew about the transaction resulting in credits of \$56,918.54 to Glover and Flather in which he was a partner, he replied, "That is a matter that Mr. Ailes had entire control of. As far as I know I had nothing whatever to do with it."

We will now turn to the testimony given by Mr. M. E. Ailes (vice president) in his attempt to explain the transaction, when examined under oath by the national-bank examiner, January 6, 1915.

"Testimony of Milton E. Ailes, Esq.:

"EXAMINER. Mr. Ailes, you do solemnly swear that the answers which you make to the questions propounded to you in the examination of the affairs of the Riggs National Bank shall be the truth, the whole truth, and nothing but the truth, so help you God.

"Mr. AILES. I do.

"EXAMINER. You are vice president of the Riggs National Bank?

"Mr. AILES. I am.

"EXAMINER. During February, 1908, you were vice president of the Riggs National Bank?

"Mr. AILES. I was.

"EXAMINER. In the account 'Glover & Flather,' under date of February 4, 1908, is a credit 'Commission and profits, sale of U. S. 4 per cent bonds, \$24,704.16.' In the same account, under date of February 24, 1908, 'Profits on sale of U. S. 4 per cent bonds of 1925, \$32,214.38.' Mr. Glover has stated that you handled that transaction personally. That is so?

"Mr. AILES. I handled the transaction in the bank, but I consulted with Mr. Glover and the other officers of the bank, with the Messrs. Flathers. I do not know just as to which one at the present time—Mr. Henry Flathers; I did with him.

"EXAMINER. From what transaction did those profits arrive? Was it the same transaction?

"Mr. AILES. There were two transactions, but they both fall in the same category.

"EXAMINER. Think what these transactions were, Mr. Ailes, please.

"Mr. AILES. They were during the panic of 1907. Crocker National Bank of San Francisco wired me that they were greatly in need of gold; in fact, they were on the point of a panic out there, and asked me if I could suggest any way by which they could make available some Government bonds. They stated that they had fours of 1925. I am giving you this from recollection. I think I suggested to them that we could put them in the circulation account of the National City Bank of New York, and take out circulation against them,

and ship them the circulation. But that was not satisfactory to them because they do not use paper money very much on the coast. I discussed the matter with Mr. Glover and Mr. Flather, and with Mr. Vanderlip, of the National City Bank of New York. They asked us to make an offer for the bonds.

"EXAMINER. Pardon me; they asked—"

"Mr. AILES. They asked me here to make an offering for those bonds and give them gold for them. They wanted gold.

"EXAMINER. You mean the National City asked you to make an offer to Crocker?"

"Mr. AILES. No; the Crocker communicated directly with me.

"EXAMINER. And asked you to make an offer?"

"Mr. AILES. I had quite an acquaintance with the officials of the Crocker Bank, and they wired to me, as I recollect it.

"EXAMINER. I am trying to get the definition of the pronoun 'they.'

"Mr. AILES. The Crocker National Bank folks did. The upshot of the whole thing was that after conference here with Mr. Glover and Mr. Flather and Mr. Vanderlip, I made an offering of 115 for half a million long fours, and had an understanding with the National City Bank that these fours should go to the circulation account of the National City Bank, which had a large amount of national bank notes or currency ready for issue. The National City Bank had to pay into the subtreasury at New York \$500,000 in gold. Simultaneously, the assistant treasurer at San Francisco, would pay out on Government transfer, to the Crocker National Bank \$500,000 in gold. The balance due on the purchase of the bonds, representing the 15 points of premium, the offering made for the bonds being 115, or \$75,000, was to be credited to the Crocker National Bank on the books of the National City Bank of New York. New York had suspended at that time, and this was to be only a book credit."

I suppose he meant that New York had suspended cash or currency payments.

"The National City Bank recouped itself for cash by taking out \$500,000 bank notes. It parted, however, with \$500,000 of lawful money, or gold, in the manner I have indicated.

"EXAMINER. This was in 1907?"

"Mr. AILES. In 1907.

"Mr. GLOVER. 1907 or 1908?"

"Mr. AILES. In 1907, right in the very heart of the panic, when the whole country was shaken from one end to the other.

"These two transactions probably saved the situation in San Francisco. No sooner had this one been accomplished, until the Crocker National Bank came back and said, 'Will you take another million?' Of course, that was a pretty large sum, and after consultation with Mr. Vanderlip, I concluded to offer 110 for the remaining million, under the same conditions. The city bank paid out a million of gold. The 10-point premium, or \$100,000 was to be credited on the books of the city bank, New York funds, the city bank to recoup itself by taking out circulation for the cash. They accepted that offer.

"Up to that point we really had here—these officers here had little or no understanding as to what share the Riggs National Bank or anybody connected with it had in the transaction. It was carried along at the City Bank for weeks, until the panic subsided, and by and by, some time in February, 1908, they sold the bonds over there. The Riggs Bank never invested a nickel in the transaction—never put up a dollar.

"Mr. BAILEY. Nor became liable?"

"Mr. AILES. Nor became liable. When they sold the bonds, I went over to see if we were not entitled to some share in the profits, and I was offered, on behalf of these officers here, a commission of one-eighth of 1 per cent, I think, which is just about the kind of profit that you get in a Government bond transaction. Those profits—that commission—had been going, when earned by the officers here, Mr. Glover and Mr. Flather, to these accounts. I did not want to settle on that basis. I felt I had engineered the thing and I talked it over with Mr. Glover and the other officers down here and I eventually succeeded in convincing the National City Bank authorities that we had been pretty helpful in the transaction, with the result that they, feeling pretty good over it, offered to divide the account, and so we did, and had these two credits which you find, which were placed to the credit of Glover & Flather, just as the commission of one-eighth of 1 per cent would have been placed to the credit of that account."

Mr. Ailes statement on January 6, 1915, that the Riggs National Bank "never became liable" was squarely contradicted by the foregoing letters from the National City Bank setting forth that the Riggs National Bank was liable for its one-half of the profits or loss. This liability was confirmed by the vice president of the Riggs National Bank distinctly in his letter of February 4, 1908, when he says "we note that as further sales are made for this joint account you will credit our account with one-half the profits shown or one-half the losses entailed."

Mr. Ailes's further statement that "when they sold the bonds I went over to see if we were not entitled to some share of the profits, and I was offered, on behalf of these officers here, one-eighth of 1 per cent, I think, which is just about the kind of profit you get on a Government bond transaction," is also absurd, in view of the written evidence. There is nothing anywhere to indicate that the question of the payment of a commission of "one-eighth of 1 per cent" was considered by either bank. Written evidence shows that as soon as the National City Bank had made the sales of bonds during the month of January, 1908, they wrote promptly to the Riggs National Bank, on February 3, inclosing a statement of the transaction and crediting that bank with one-half of the profits, as would have been done in any other joint-account transaction; and no evidence has been found to support Mr. Ailes's claim that the National City Bank tried to get him to take a "one-eighth of 1 per cent profit," and subsequently, because they were "feeling pretty good over it," offered to divide the account.

If it should be claimed that if the Riggs National Bank had received a commission of one-eighth of 1 per cent it would have been proper—which is not admitted—to credit that commission to Glover & Flather, there can certainly be no possible ground for claiming that the same account of Glover & Flather should have appropriated the profits accruing to the Riggs National Bank from the "joint account" purchases of Government bonds for which the Riggs National Bank, and not its officers personally, had been responsible and liable for the resulting loss, if any should have accrued.

"EXAMINER. Crocker never paid a commission of one-eighth of 1 per cent?"

"MR. AILES. No, sir."

"EXAMINER. The only profits the bank officers got out of it was these two items?"

"MR. AILES. Yes."

"EXAMINER. Not these two items and one-eighth of 1 per cent commission?"

"MR. AILES. No."

"MR. MCKENNEY. The fact is the bank was not getting any profit out of it?"

"MR. AILES. No."

He says the bank was not getting any profit out of it, although it was a transaction directly with the bank, a transaction in which the bank, as a bank, would have a right to deal; but the profits when earned were taken and put to the private account of Glover & Flather, an account in which he said the bank had no legal right whatsoever.

EXAMINER. When that deal arose, did it come to you personally from the Crocker National Bank or did it come to you as vice president of the Riggs National Bank?

"MR. AILES. I will have to look at the correspondence for that."

"EXAMINER. The bank has it in the correspondence file, have they?"

"MR. AILES. I dare say."

"MR. GLOVER. Wasn't it by telegraph?"

"MR. AILES. Oh, yes; it was by telegraph. Of course I felt it largely came to me personally because of the personal relations with the Crocker National Bank."

"EXAMINER. You had no interest in the Glover & Flather account, had you?"

"MR. AILES. No."

"EXAMINER. And you never have had any?"

"EXAMINER. What did Mr. Glover or either of the Flathers do in connection with this sale of securities to the National City Bank of New York?"

"MR. AILES. They had the same to do with that as they would have with any other transaction."

"EXAMINER. I thought you said you handled the deal with the National City Bank?"

"MR. AILES. I did."

"EXAMINER. After consulting with these gentlemen?

"MR. AILES. I did not go and do it without consulting them.

"EXAMINER. You consulted those gentlemen and then did it?

"MR. AILES. Yes.

"EXAMINER. And you went to New York finally to get more profits than the one-eighth offered?

"MR. AILES. As I recollect it now, they did not really offer that."

He talked a good deal about one-eighth of 1 per cent profit, and now he says they did not even offer that.

"I went to see——

"EXAMINER (interrupting). You went to New York?

"MR. AILES. Yes; I went to New York.

"EXAMINER. And made the arrangement whereby this \$50,000-off was obtained?

"MR. AILES. Yes.

"EXAMINER. Did you go to New York and get this division with the National City Bank for the Riggs National Bank, to turn the money over to the Riggs National Bank or to turn the money over to Mr. Flather or the Flathers and Mr. Glover personally, to become their private property, if they never intended to give it to the bank, but to retain it themselves?

"MR. AILES. I do not think I had any thought on either side of that question."

That is a very extraordinary situation, that a vice president of a bank should go on to New York and arrange for a collection of a \$56,000 profit for somebody, and yet not have the slightest idea as to whom it was for.

"EXAMINER. You went to get it for the bank, did you not?

"MR. AILES. No; I could not say that I did. I went over to see what I could do about getting that profit.

"EXAMINER. When you got it and came back, who did you consider had the profit?

"MR. AILES. I do not recall at the present time."

Now, gentlemen, that is simply a fair sample of the difficulty we have had all the time in getting the truth in regard to any of these transactions.

The CHAIRMAN. That was a 1907 transaction?

Mr. WILLIAMS. This was an examination in 1915.

The CHAIRMAN. I know, but it was a 1907 transaction?

Mr. WILLIAMS. It involved \$56,000 of profit.

The CHAIRMAN. Do you know when it was that they began to distribute the stock of the bank? I know for a long time the entire stock of the bank was held by five officers.

Mr. WILLIAMS. It was several years before, if I remember correctly. It ceased to be in the hands of the four or five individuals who held it originally some four or five or six years before this time. I will check my memory on that point.

"EXAMINER. When you got it and came back, who did you consider had the profit?

"MR. AILES. I do not recall at the present time.

"MR. MCKENNEY. The books show the transaction.

"EXAMINER. The books show the transaction?

"MR. AILES. Yes.

"What the books show, as above stated, is that the \$56,918.54 of profits, instead of being credited to profits and loss, was credited to the account of Glover & Flather.

"EXAMINER. The books, however, do not show what you intended to do with that money.

"MR. AILES. Yes. How do you suppose I could recollect what I was going to do with it?

"EXAMINER. I am asking the question again: Did you intend that that money should go to Mr. Glover and the Flathers personally, or to the Riggs National Bank?"

"MR. AILES. It would not have made any difference to me, because—and Mr. Glover has frequently explained it to you—I have known that while Mr. Glover and Mr. Flather have always had the right to any money from the Glover and Flather account, I have also known that they were just a little bit too high class to take it.

"EXAMINER. The question was just raised here as to Mr. Glover saying he never would take any of that and never will hereafter take any of this money.

"MR. AILES. And never has.

"EXAMINER. In other words, it is an open question.

"MR. AILES. And never has.

"It is interesting just at this point to call attention to the letter above referred to from this office to President Glover, of July 22, 1914, showing how in past years the president of your bank, having denied that any commissions collected by its officers were ever used for their personal benefit or gain, admitted that for a period of five years commissions aggregating \$45,000 had been systematically collected and divided personally between himself and certain other officers.

"EXAMINER. On whose behalf did you go to New York and get this division, the Riggs National Bank or the individuals?"

"MR. AILES. Of course, as Mr. McKenney says, the record shows that.

"EXAMINER. It does not show for whom you went.

"MR. GLOVER. I do not think he went—

"MR. AILES. I do not know. I do not think I went there at that time on that particular mission. I was engaged in visiting the National City Bank once a week on general things. This action came up on one of those visits. I do not think I made a particular visit over there to get this.

"EXAMINER. Was there anything said with the National City Bank about with whom they were dividing this profit?"

"MR. AILES. I do not recall now.

"EXAMINER. Would, in your opinion, have they divided with Mr. Glover and Mr. Flather personally?"

"MR. BAILEY. Of course, you would not ask him to state under oath what they would do?"

"EXAMINER. I am asking his opinion.

"MR. MCKENNEY. He has no right to an opinion.

"EXAMINER. At the time you came back, did you know what was done with the profits?"

"MR. AILES. I can not say that I did right at that time. I know it was credited to Glover and Flather.

"EXAMINER. Did you not consider that was the same as crediting it to profit and loss?"

"MR. AILES. Of course, I knew it would go to profit and loss unless these gentlemen chose to take it themselves."

This answer of Mr. Ailes clearly indicates that, in his opinion, he considered that any funds credited to Glover and Flather belonged to those gentlemen, whether or not they should generously, of their own volition, hand any of them back for the bank's benefit.

"EXAMINER. As a director of the Riggs National Bank and an officer, wasn't it your understanding that these commissions went to undivided profits, and that items were charged off to these accounts the same as they could be charged off to profit and loss account of the bank without any other action, and that it was in the bank, the profit and loss account of the bank, under another name?"

"MR. AILES. No; not strictly so. I know the accounts were under the personal control and direction of Mr. Glover and Mr. Flather.

"EXAMINER. And you had no control over them, either as an officer or as an individual?"

"MR. AILES. No; but I should not have expected them to have used them for any other purpose than to transfer them to the accounts of the bank. There was not any—I know of no understanding to that effect.

"EXAMINER. As a matter of fact, in obtaining this division with the National City Bank, as an officer of the Riggs National Bank, knowing the details of the

transactions from the time they started with the Crocker National Bank, who was entitled to that division? Were Mr. Glover and Mr. Flather personally entitled to it? Mr. Glover has stated here in your presence that the minute any items went to this account they were absolutely out of control of the bank or any official of the bank, and subject only to their checks."

Gentlemen, at that time that was a pretty serious transaction. There was \$56,000 of profits indisputably the profit of the bank, belonging to the bank, the bank's credit used to provide it, the bank's instrumentalities, machinery, employed in realizing it, and yet it was taken away from the bank's profits, from its profit-and-loss commission, and placed to the account of individuals, where these officers have stated the bank had no control whatsoever over it.

Now, this was the account to which \$56,918.54 of money belonging to the Riggs National Bank had been passed under the complete control and supervision of Glover & Flather personally, the bank having no control of any sort over it.

Comment by this office upon the grave and serious nature of this transaction is unnecessary at this time.

What I am reading now is the letter to the Riggs National Bank, which embraces a portion of the testimony taken in 1915:

These mysterious accounts (Glover & Flather and Flather & Flather), in regard to which Mr. McKenney, director and counsel of the bank, declared on January 6, 1915, "I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books," have also, as a matter of fact, been used for years past, from time to time, "without the knowledge of directors," to cover up various irregular charges, or losses, and unlawful or ultra vires investments, and illicit political or other contributions and payments made by the officers of the bank, as facts developed by investigations of this office clearly prove. In other words, these accounts have been used, sometimes, as were the accounts commonly known as "yellow dog" accounts or "slush funds," which were uncovered some time ago in certain notorious investigations.

In continuing his testimony under oath, Mr. Ailes said:

MR. AILES. I would like, without closing the subject so abruptly, to say that this bank, the Riggs National Bank, never invested a single penny in this transaction; that the matter was carried on by the National City Bank of New York, which put the bonds it got from the Crocker National Bank in its own circulation account; it paid in its own gold to the assistant treasurer at New York, and had it paid out at San Francisco to the Crocker National Bank, and which credited on its own books, the National City Bank's books, the difference representing the premium in New York funds. At that time payment could only be made through clearing-house certificates, I believe. This bank assumed no liability whatever. This bank never paid a nickel of my expenses to go to New York to see about getting some division of the profits in that transaction, no matter what the correspondence may show as to whether I signed as vice president or not. Of course, after these sums had been credited to Glover & Flather, the transfers were made from Glover & Flather to profit-and-loss account of the Riggs National Bank.

My letter continues:

It is with regret that this office is forced to the conclusion that the officers of the Riggs National Bank have not only endeavored to deceive the bank examiner and the comptroller's office, but they appear to have deceived their own counsel, Mr. Bailey, as to the "joint account" character of this transaction.

It has been shown above that the first letter in which any sales were reported clearly and distinctly set forth that the transaction was a "joint account" transaction, and that the Riggs National Bank was liable for one-half of any loss that might be involved, and was entitled to one-half of any profit which might accrue from it. This was confirmed, as above shown, by the Riggs National Bank itself at the time, as abundantly proved by the correspondence. The various officers of the Riggs National Bank conferred as to the transac-

tion, according to the sworn testimony at the time it took place, and were presumably posted, although some of them have apparently contradicted each other.

These same officers, Messrs. C. C. Glover, president; M. E. Alles, vice president; W. J. Flather, vice president; and H. H. Flather, cashier, were present when Mr. Alles was being examined under oath and were conferring with their counsel during the examination; and yet the real facts appear to have been so thoroughly concealed from their own counsel that Mr. Bailey, after Mr. Alles had made the foregoing statement, said:

I ask your attention to this statement by Senator Bailey. The letters which are referred to in what I have read, the correspondence between the National City Bank and the Riggs National Bank, are printed in this letter of mine of April 5, corroborating the purely official character of the transaction, in which the Riggs National Bank was directly and distinctly liable.

Mr. Bailey said—

The CHAIRMAN. Under oath?

Mr. WILLIAMS. When the officers were under oath and being examined by the national-bank examiner in January, 1915, I think it was:

Mr. BAILEY. Let me see if I thoroughly understand the transaction. This bank was not buying any of the bonds, assuming, as I understand you to say, no liability and making absolutely no payment. Therefore it was, whatever it was, a commission or profit made entirely on a transaction of the National City Bank?

To which Mr. Alles replies, "Yes."

Evidently his own counsel, Senator Bailey, had not been given the real facts by the bank.

The CHAIRMAN. That is your conclusion?

Mr. WILLIAMS. I am quoting Mr. Bailey's language.

The CHAIRMAN. Well, stick to it.

Mr. WILLIAMS. This continues:

Mr. BAILEY. It was earned, or if it was obtained, then it was not a bank transaction, because the bank had furnished no money, had assumed no liability, had incurred no expense. Is that what I understand you to say?

Mr. ALLES. That is it exactly.

And that is directly contradicted by the record and the correspondence. Mr. Bailey then goes on:

Mr. BAILEY. And if it had been charged directly to the bank, or credited directly to the bank, it would have involved the same explanation that the old commission accounts did; that though it was credited to the bank, as a matter of fact it was earned by others and not by the bank. If it had been credited directly to the bank, then the bank would have brought itself, as I understand it, within the Ridgely letter of September 22, 1904, that advised them that selling stocks and bonds on commission was ultra vires and yet you had continued it without any liability or expense or obligation on the part of the bank, you believing that the Flather and Flather account or the Glover and Flather account was the place to pass the credit. I understand that.

Mr. McKENNEY. Please answer that. These gentlemen [indicating the stenographers] can not see a nod of your head.

EXAMINER. As I understand it, that is an explanation of Mr. Bailey, and he wants it written into the minutes. It does not call for an answer from Mr. Alles.

Mr. ALLES. I nodded my assent to Senator Bailey, and Mr. McKenney, no doubt correctly enough, said that the stenographers could not be supposed to transcribe that nod.

The letter continues:

It is hardly conceivable that if your officers had told the truth to your counsel, Mr. Bailey, that this transaction was a "joint account" with the

National City Bank, and if your officers had advised him of the correspondence with the National City Bank which so clearly proves the nature of the transaction, that Mr. Bailey would have made the following statement which he did make after the above testimony had been given by Mr. Ailes.

Mr. BAILEY. As a matter of fact, I could not go into any court of conscience or law in the world and take that money that Ailes turned over to the bank for Ailes himself. He was absolutely entitled to it, I think, in morals—I know in law.

Now, based upon the facts that the officers of the bank stated to Senator Bailey, he drew that totally incorrect conclusion. If it had been taken and permanently kept by those men, with the facts which were subsequently developed, they would have been guilty of embezzlement and would have been reported to the Department of Justice for such offense.

Senator GRONNA. The records show that the name of the bank was used?

Mr. WILLIAMS. Completely. Right at this point I ask you for just a few moments to allow me to show that.

Here is a letter to the Riggs National Bank dated February 3, 1908:

FEBRUARY 3, 1908.

THE RIGGS NATIONAL BANK,
Washington, D. C.

DEAR SIR: We have to-day credited your account with account with \$24,704.16 one-half the profit in the joint account in United States registered 4s of 1925 (Crocker National operations), resulting from sales made during the month of January. The sales for January were \$695,500 par value, and no sales of these bonds were made prior to January 1.

The purchases and sales have all been figured on an "and interest" basis, on the assumption that the bonds carry themselves in circulation account with no loss, and for this reason no carrying charges are assessed against the joint account in which you are interested. The purchases for this account were as follows:

Apr. 16, 1907, \$150,000, at 130.033 and interest (or 129½ ex interest).....	\$195, 049. 50
Nov. 7, 1907, \$500,000, at 109.024 (or 110 flat).....	549, 620. 00
Nov. 12, 1907, \$1,000,000, at 109.869 and interest (or 110 flat).....	1, 092, 690. 00
<hr/>	
\$1,650,000, at 111.718 and interest, average price.....	1, 843, 359. 50

The average "and interest" selling price for all the bonds sold during January was 118.822 and interest. These sales, therefore, show a profit of 7,104 points, or a total profit on \$695,500 of \$49,408.32, one-half of which amount is the credit indicated above.

As further sales are made from time to time we will make an accounting to you, either crediting or charging your account as the operations show a profit or loss.

Senator FLETCHER. That is a letter to whom?

Mr. WILLIAMS. That is a letter to the Riggs National Bank from the National City Bank of New York.

As further sales are made from time to time we will make an accounting to you, either crediting or charging your account as the operations show a profit or loss.

They were interested to the extent of one-half of the profits or one-half of the losses. That was dated February 3, 1908.

Inclosed herewith is a list of the sales made for the period ending January 30.

On February 4, 1908, the Riggs National Bank acknowledged receipt to the National City Bank of the letter reporting the credit of \$24,704.16 as follows:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.

Washington, D. C. February 4, 1908.

Mr. J. H. McELDOWNEY,

Assistant Cashier National City Bank, New York, N. Y.

DEAR SIR: We beg to acknowledge receipt of your letter of the 3d instant, in which you advise having credited our account \$24,704.16, representing one-half of the profits on sales during the months of January of U. S. registered 4's of 1925, which were purchased by us for joint account through the Crocker National Bank of San Francisco. We note that as further sales are made from this joint account you will credit our account with one-half the profits shown or one-half of the losses entailed. With thanks we remain,

Very truly, yours,

WM. J. FLATHER, *Vice President.*

My letter to the Riggs Bank continues:

At the same time the National City Bank sent a detailed memorandum showing the dates on which the various bonds, aggregating \$695,500, had been sold and the prices received for each lot.

On February 7, 1908, the National City Bank addressed the following communication to the Riggs National Bank:

February 7, 1908.

Mr. M. E. AILES,

Vice President the Riggs National Bank,

Washington, D. C.

DEAR SIR: It might be of interest to you to know that since our recent accounting to the Riggs National of long 4s held by us in joint account we have sold \$390,500 additional bonds at the average flat price of 118.07. This is about one-sixteenth of 1 per cent above the quotation at which we figure the prospective profit. We still have \$564,000 of the bonds in the joint account.

This letter was answered under date of February 8 by the Riggs National Bank over the signature of M. E. Ailes, as vice president, as follows:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,

Washington, D. C., February 8, 1908.

Mr. J. H. McELDOWNEY,

Assistant Cashier the National City Bank,

New York, N. Y.

DEAR MR. McELDOWNEY: We are in receipt of your letter of the 7th instant advising us that since your recent accounting to the Riggs National Bank of long 4s held in joint account you have sold \$390,500 additional bonds at the average flat price of 118.07 and that you still have \$564,000 of the bonds in the joint account. Your interest in the matter is very much appreciated, and we beg to thank you for the advice.

Very truly, yours,

M. E. AILES, *Vice President.*

On February 20, 1908, the National City Bank sent the following letter to the Riggs National Bank:

FEBRUARY 20, 1908.

Mr. M. E. AILES,

Vice President the Riggs National Bank,

Washington, D. C.

DEAR SIR: We wish to say that we have sold all the long 4s held in joint account by the Riggs National Bank and the National City. The bonds have been sold a a little over one-half of 1 per cent more than we figured the prospective profit. We will send you a complete statement within the next few days showing all the sales, as well as the amount credited to the account of the Riggs National Bank to cover its one-half of the profit.

Very truly, yours,

J. H. McELDOWNEY.

On February 21, 1908, the National City Bank advised the Riggs National Bank, by letter, of the sale of "\$954,500 United States registered 4s of 1925 held by us in joint account." These sales included the remaining \$804,500 of

bonds purchased from the San Francisco bank in November for joint account and also \$150,000 of additional bonds which had been taken for "joint account" the previous April, thus closing out entirely these joint account operations.

The letter was as follows:

FEBRUARY 21, 1908.

RIGGS NATIONAL BANK,
Washington, D. C.

DEAR SIR: Referring to our letter of February 3, we would say that we have sold the remaining \$954,500 United States registered fours of 1925 held by us in joint account. The bonds were sold at the average price of 118.468 and interest, or at a profit of 6½ points. The total profit amounts to \$64,428.75. We have to-day credited your account with \$32,214.38, representing your half of such profit.

We are taking pleasure in inclosing herewith a list containing the sales.

We have credited your account previously with \$24,704.16, as indicated in our letter of February 3. The total profit to you in the joint account amounts, accordingly, to \$56,918.54.

On February 24, 1908, M. E. Ailes, as vice president of the Riggs National Bank, acknowledged receipt of the National City Bank's letter of February 21 by the following letter:

RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., February 24, 1908.

THE NATIONAL CITY BANK,
New York, N. Y.

DEAR SIR: We are in receipt of your letter of the 21st instant advising us that you have credited our account \$32,214.14 in final settlement of the joint account in long fours in transaction with the Crocker National Bank of San Francisco.

We appreciate very much your excellent work in handling matters of this kind, and trust we may have the opportunity in the future of bringing other business of similar character to you.

Very truly, yours,

M. E. AILES, Vice President.

The foregoing correspondence leaves no doubt as to the character of the transactions referred to. The Government bonds were purchased from the San Francisco bank through the Riggs National Bank of Washington, for the joint account of the National City Bank of New York, and the Riggs National Bank of Washington. The bonds were paid for by the National City Bank, which at the time of purchase practically reimbursed itself for the outlay by depositing the bonds with the Treasurer of the United States and receiving circulating notes against them. Each bank was responsible for one-half of the total cost and of the resulting profit or loss.

The National City Bank, in its letter of February 3, 1908, to the Riggs National Bank had said that "the purchases and sales have all been figures on an 'and interest' basis on the assumption that the bonds carry themselves in circulation account with no loss, and for this reason no carrying charges are assessed against the joint account in which you are interested."

This same letter distinctly states, in reporting the first sales of bonds, that "as further sales are made from time to time we will make an accounting to you either crediting or charging your account as the operations show a profit or loss."

That the officers of the Riggs National Bank thoroughly understood the nature of the arrangement there can be no doubt. They knew that the bank was responsible for its share of whatever profit or loss might ultimately be involved; and the letter from the Riggs National Bank, signed by its vice president, W. J. Flather, under date of February 4, 1908, says unequivocally:

"We note that as further sales are made from this joint account you will credit our account with one-half the profits shown or one-half the losses entailed."

During the examination of the Riggs National Bank the national bank examiner at Washington, to his surprise, found that the item of \$24,704.16 (which the National City Bank on February 4, 1908, had credited to the Riggs National Bank), instead of being passed to the credit of "profit and loss," had been credited on the books of the Riggs National Bank to a certain account known as the "Glover & Flather" account, or "C. C. Glover and W. J. Flather." The examiner furthermore discovered that \$32,214.38, which on February 21, 1908, the National City Bank had credited to the Riggs National

Bank (notifying them accordingly) on account of the profits in the joint account, had likewise, instead of being credited to the "profit and loss" account of the bank, gone also to the credit of the "Glover & Flather" account.

The examiner's investigation also showed that in the statement of condition of the Riggs National Bank submitted to the Comptroller of the Currency on February 14, 1908, and sworn to by H. H. Flather, cashier, and attested by C. C. Glover, M. E. Ailes, W. J. Flather, R. Ross Perry, J. R. McLean H. Hurtt, T. F. Walsh, and Thomas Hyde, directors, the undivided profits of the bank which were given at \$175,099, included no portion of the \$24,704.16 profits paid to the Riggs National Bank by the National City Bank on February 3, 1908; nor does it appear that the same sworn statement of condition shows anywhere that the Riggs National Bank actually owned at that time a one-half interest (or say \$477,000) in the remaining \$954,500 of Government bonds still being carried by the National City Bank in the "joint account," for one-half of the profits or loss for which the Riggs National Bank had admitted, officially, to the National City Bank its liability.

This action of the bank's officers (Glover, Ailes, and W. J. and J. H. Flather) in asking the bank's directors, who it is claimed "knew nothing of the Glover and Flather account," to sign such a false and misleading statement calls for explanation. These officers knew at the time that \$24,704.16 of money earned by the bank from the "joint account" had been excluded from the bank's undivided profits, where it properly belonged, and credited to the Glover and Flather account, where Mr. Glover swore it became "subject to my" [his] "order and my," [his] "disposition and those of my" [his] "coowners," and "in no manner subject to the disposal or check of the officers of the Riggs National Bank acting in their official capacity."

The books of the Riggs National Bank show that some time in April, 1908, long after the profits on the United States bond transaction, amounting to \$56,918.54, had been credited to "Glover & Flather," that account was charged and the "profit and loss" account of the bank was credited with certain items described as "profit on sundry bond sales and sundry commissions," which, I understand, it is claimed fully restored to the bank the funds which had been wrongfully diverted. The restoration of the money, however, did not wipe out the offense of which Messrs C. C. Glover and W. J. Flather, or those responsible for the action, were guilty in placing these funds of the bank to their personal credit, or justify the misleading and untrue statements which were made and sworn to by the officers of the bank concealing these transactions.

In the investigation by the bank examiner in May last, which resulted in the discovery of these and various other irregular transactions, it was found that the account of "Flather & Flather," representing the consolidation of the accounts of "Glover & Flather" and "Flather & Flather," was carrying, in cash and securities, an amount estimated at \$40,000 to \$75,000, which the Messrs. Glover and Flather claimed belonged to them personally, subject to their personal checks, and over which the bank had no authority, although they have vigorously protested that they always "intended" to use these funds for the "benefit" of the bank.

In weighing the value of their declarations, however, it is necessary to keep in mind an equally positive assertion made by President Glover under oath under date of June 18, 1914, when he said:

"I did not mean to say, and do now say, that no officer of the bank has personally profited by any commission received on or in connection with either real estate loans or bonds or stocks purchased for customers or depositors of the bank or borrowers of money therefrom. I further say that I have never personally received and kept commissions on account of real estate loans placed with or taken by depositors of the bank who withdrew funds which they had on deposit with the bank in making settlement for such loans, and have no reason to believe that any other officer of the bank ever did so. * * *

"After the incorporation of the Riggs National Bank this business was continued by the officers of the bank as individuals, the compensation received therefor being at first passed directly to 'commission' account, but later, with the knowledge of bank examiners, was passed to the credit of two accounts opened for that purpose—one in the name of 'Glover & Flather' and the other in the name of 'Flather & Flather.' The balance to the credit of 'Glover & Flather' was transferred on the 17th of April, 1914, to 'Flather & Flather,' thus consolidating the two accounts."

Senator FLETCHER. When were these two items of profits on account of the bond transactions transferred to the bank?

Mr. WILLIAMS. In April, 1918, and kept there for some weeks. I continue reading:

"Whether the officers who rendered such services were entitled to retain for their own personal benefit any part of the commissions received for such services is not material. No one of them ever claimed or intended to claim any part of said commissions. And no one of them has ever retained any part thereof for his own benefit. Amounts have been withdrawn from said accounts at various times for the benefit of the bank. Nothing has ever been withdrawn by the officers for their personal benefit, and no one of them has ever profited personally thereby."

That is Mr. Glover's statement and claim, and then I continue:

In regard to the foregoing declaration of Mr. C. C. Glover, president, the Comptroller of the Currency addressed him, under date of July 22, 1914, a letter commenting upon President Glover's misleading statements, and said:

"After I had secured these affidavits I received from you your letter of July 17, in which you acknowledge that statements heretofore made by you under oath were not true, claiming that certain inconsistencies were the result of 'pure oversight.' You thereupon admit that for a period of more than five years, or 'from January, 1897, to May, 1902, the business of making real-estate (but no other) investments for customers of the bank was done by and through the firm of 'Glover, Hyde, Johnston and others,' which firm was composed of myself [C. C. Glover], Thomas Hyde, James M. Johnston, Arthur T. Brice, and William J. Flather, each and all being at the time officers of the Riggs National Bank'; you inform me that this firm or partnership or confederation, whatever it may have been, had 'a paid-in capital of \$30,000,' and you now confess that—

"All profits by way of commissions or otherwise derived from such business were passed directly to the credit of said firm on an account carried in the name of the firm on the general ledger of the bank; and all such profits were divided directly among the members of the firm. To such extent and for the period mentioned, officers of the bank did directly profit by the commissions on such transactions."

"This means, in plain English, that after you had solemnly, indignantly, and repeatedly denied, under oath, that you had ever under any circumstances appropriated for your personal benefit any portion of the commissions received by you, an officer of the Riggs National Bank, for placing real-estate loans for the customers of the bank, you now, after certain things have been developed by this office, suddenly remember that for a period of more than five years you and other officers of the bank had deliberately pocketed and divided among yourselves all these commissions collected during the period mentioned, estimated to amount to many thousands of dollars" [over \$46,000], "which your former statements had solemnly declared had gone solely to the credit and for 'the benefit of the bank.'"

That is continuing the letter. I will not read the paragraphs which follow there, as I have read them earlier in this hearing this afternoon. But that answers, Senator Gronna, your inquiry as to whether there could have been any doubt about the fact that the bank was liable for the Government bond transaction. I think that correspondence clearly establishes the fact that the bank was directly liable, and yet it is inconceivable that Senator Bailey, if he had known those facts which I have just read to you, could have said, as he did on page 210 here:

As a matter of fact, I could go into any court of conscience or law in the world and take that money that Ailes turned over to the bank for Ailes himself. He was absolutely entitled to it, I think, in morals—I know in law.

I think with the evidence which we have before us it would unquestionably have been a case of embezzlement if he had done so, and I do not believe Senator Bailey knew the real facts when making that statement.

I continue to read following my quoting Senator Bailey's statement:

The statements made under oath by the officers of your bank at the examinations recently conducted by the national bank examiner, in accordance with section 5240 of the Revised Statutes of the United States, have been shown to have been so evasive, so contradictory, so misleading, and so untruthful that this office feels called upon to direct that this whole matter be brought forth with to the attention of your board of directors for their consideration; and you are now directed to read this letter to your board of directors at their next meeting and also to lay before that meeting for its information, the full stenographic reports of the several examinations made since January 1, 1915, by national bank examiners of the officers of your bank.

It is in order to call attention to the fact that, at the examinations above referred to, which were made of your officers under oath by National Bank Examiners Smith and Trimble, the questions of the examiners, and the replies of your officers and of your counsel (extracts from which examinations have been copied in this letter) were taken down verbatim by a public stenographer employed by this officer, and also by another stenographer employed by the Riggs National Bank, and that the records of these two stenographers were subsequently compared by the national bank examiners and found to agree.

You are furthermore instructed to send at once to each member of your board of directors a copy of the letter which this office addressed to you under date of March 30, 1914, and also a copy of this letter, with the request that each director acknowledge the receipt of each of these two letters direct to this office over their respective signatures.

Other deceptive and false statements which I regret to find have been made to this office and to national bank examiners by the officers of your bank will be dealt with later.

Meanwhile, in view of the unsatisfactory and dangerous conditions which have come to light as a result of the investigation of your bank by this office and the national bank examiner, and in view of the unreliability of statements made by your officer, under oath or otherwise, and your long-continued defiance of the law and disregard of the instructions of this office, you are hereby notified that the Comptroller of the Currency will until further notice refuse to approve the Riggs National Bank as a depository for the reserves of other national banks.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

That order was expressly confirmed and approved by Justice McCoy, of the Supreme Court of the District. In fact, my impression is that his suggestion was that under those circumstances the comptrollers' office would have been derelict if it had permitted other banks to continue their reserves with the Riggs National Bank under conditions as they were found to exist.

Now, the correspondence which I have taxed your patience to listen to is merely illustrative of the entire correspondence between the Riggs National Bank and the comptroller's office during that period of 8 or 10 months. We were confronted with the most contradictory statements from day to day, and we tried to clear them up. When we failed to get the facts through correspondence, we would send the examiner to put the officers under oath, to try to get them in that way, and when we did put them under oath they became forgetful, or they claimed not to remember, or they made statements that were contradictory of each other.

I have this afternoon called your attention to three or four of these inconsistencies, the testimony of Mr. McKenney on the one hand, the testimony of Senator Bailey, and shown to you how squarely the letter of June 18, 1914, signed by Mr. Glover and the two Flatthers, addressed to the board of directors of the bank, is contradicted by Director McKenney, the counsel of the bank, in the examination

of January, 1915. Mr. Glover and the Flathers say, "Of course, you doubtless know all about the accounts." Mr. McKenney says, "I never heard of them, and I doubt if any other director knew there was any such account in the bank."

If the directors did not know there were such accounts in the bank, and Mr. Glover makes statements to Examiner Reeves and other examiners as to what these accounts are on one day, and then when the examiner asks them about them, declares the statements which the examiners say he had made were absolutely incorrect, what could we assume? What conclusions could we draw? We were simply trying to get the facts. There is not a member on this committee who, if he had gone through the Riggs Bank affairs as the comptroller did in those days, would not have been equally alarmed and disconcerted at the conditions shown there. As Mr. Untermeyer has shown, it is not a question of whether you can violate the law with impunity and get away with it, but it is necessary that the banks shall obey the law, whether they can make more money by disregarding its provisions or not, and we found that the Riggs National Bank had for the entire period of its career been flagrantly disregarding the most elementary provisions and requirements of the law, and although they had been admonished, I think, probably by every comptroller and by almost every examiner who had examined them in those 18 years, they continued to do as they pleased.

The earnestness with which we investigated this matter was simply indicative of our anxiety and our desire to rid the bank of dangerous and disturbing elements which, if they had been permitted to operate and continue unabated, might have brought ruin to the bank and distress to thousands of depositors or shareholders.

Senator FLETCHER. Mr. Hogan says, page 32:

In 1896, 16 years after it had been formed in this community as a private banking house, it took out a national charter, with a capital of \$500,000.

Has that capital remained at that?

Mr. WILLIAMS. No. Senator McLean asked awhile ago when the capital was increased, or when it was distributed. I think the increase took place between October, 1902, and April, 1903, or five years before the transaction with the National City Bank to which we referred.

The CHAIRMAN. My question referred more particularly to the distribution of the stock in 1907.

Mr. WILLIAMS. The stock had been pretty well distributed, I think, at that time.

The CHAIRMAN. You do not know.

Mr. WILLIAMS. I can get you a list of the stockholders at that time, if you would like it. I will ascertain exactly how far that distribution had been carried out at that time, and state it to the committee.

The CHAIRMAN. And the number of shares that each stockholder held, outside of the officers of the bank.

Mr. WILLIAMS. Yes. Now, Mr. Chairman and gentlemen, with your permission I would like to introduce some testimony here to show why it was impossible for the comptroller's office to obtain information in regard to the borrowings from the bank by its officers, directly and indirectly, and why it became necessary to request the

bank to send that list of direct and indirect or dummy loans which the bank had made during a period of years to its various officers and employees.

I will illustrate the character of some of the dummy loans. I will refer to the testimony of the officers of the Riggs National Bank before the national bank examiner, page 594, volume 3, of the February, 1919, hearings. Mr. Smith was the examiner conducting the examination.

TESTIMONY OF MR. HENRY H. FLATHER.

(The witness was duly sworn by Mr. Trimble.)

Mr. SMITH. Mr. Flather, you are cashier of the Riggs National Bank, are you not?

Mr. H. H. FLATHER. Yes, sir.

Mr. SMITH. In Table No. 5, under date of August 22, 1911, is listed a note of B. L. Nevius, jr., \$26,400; and in the same table, under date of May 23, 1914, is a note of B. L. Nevius, \$24,000, with a notation, "Renewal of balance of loan of August 22, 1911."

Mr. H. H. FLATHER. What was that last renewal?

Mr. SMITH. May 23, 1914, \$24,000.

Mr. H. H. FLATHER. What is it you want to know?

Mr. SMITH. Who got the proceeds of those notes?

Mr. H. H. FLATHER. Of this \$24,000?

Mr. SMITH. The \$24,000 is the renewal of the \$26,400, is it not?

Mr. H. H. FLATHER. I got it.

Mr. SMITH. You got the proceeds of the \$26,400?

Mr. H. H. FLATHER. Whichever one it was.

Mr. SMITH. The \$26,400 is the note dated 1911.

Mr. H. H. FLATHER. Just let me see [examining book]; 1911, is that, Mr. Smith?

Mr. SMITH. Yes; 1911.

Mr. H. H. FLATHER [examining further]. Yes, sir; I got that.

Mr. SMITH. Who paid the note when it was paid?

Mr. H. H. FLATHER. I did.

Mr. SMITH. Then all the time from April, 1911, until that note was finally paid in 1914, you were carrying a note in the bank under the name of B. L. Nevius?

Mr. H. H. FLATHER. The bank was carrying a note of B. L. Nevius.

Mr. SMITH. The bank was carrying a note of B. L. Nevius?

Mr. H. H. FLATHER. The bank was; yes, sir.

Mr. SMITH. Of which you got the proceeds?

Mr. H. H. FLATHER. Of which I got the proceeds.

Mr. SMITH. And which you paid?

Mr. H. H. FLATHER. And which I paid.

Mr. SMITH. In other words, you were borrowing from the bank in the name of B. L. Nevius?

Mr. H. H. FLATHER. I was.

Mr. SMITH. That is all.

Mr. H. H. FLATHER. Of course, you did not speak about collateral.

Mr. SMITH. You own the collateral?

Mr. H. H. FLATHER. I own the collateral. I just wanted to state that.

I will say that Mr. H. H. Flather, in addition to those indirect loans, was borrowing large sums consistently, steadily, right along from the bank on various highly speculative securities. He was cashier of the bank meanwhile, and had a private wire right at his desk connecting with the stock-brokerage offices.

Senator GRONNA. What was that collateral?

Mr. WILLIAMS. That has been referred to, I think, once or twice. I think it was, Mr. Chairman, Mr. H. H. Flather's loan, where five or six stocks were read out, some of them selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18. But they were very speculative stocks. I

think I recall among them Rock Island preferred and common, Missouri Pacific, and other things. I think the record shows the list.

Senator GRONNA. Were they put up at par or put up at their actual value?

Mr. WILLIAMS. The stocks that sold at 1 were put up at par.

Senator GRONNA. They were?

Mr. WILLIAMS. I have no doubt they were. They were lending on stocks of a highly speculative character at par. Some of them were good. I do not know how the loans ran for a period of years; how far they were adequately margined. It was with a view to getting this information, as to how much the bank had been lending to its officers on inadequate margins, that I asked for this report.

I continue reading from the testimony of the officers:

TESTIMONY OF WILLIAM J. FLATHER, ESQ.

Mr. SMITH. In table No. 5, loans made by the bank the collateral of which did not belong to the signer of the notes, there is a note listed "George H. Felt, \$17,500, secured by 120 shares of Mergenthaler," I think it is.

Mr. W. J. FLATHER. That is right.

Mr. SMITH. The date of that note is April 30, 1912. Is that the same note or a continuation of a note that is listed in the letter of July 14, 1914, for \$17,500, secured by 116 shares of Mergenthaler?

Mr. FLATHER. The same note.

Mr. SMITH. Then it was in the bank from April 30, 1912, until paid in June, 1914?

Mr. FLATHER. I think so.

Mr. SMITH. The correspondence shows that you received the proceeds of that note.

Mr. FLATHER. I did; yes, sir.

Mr. SMITH. Who paid it when it was paid?

Mr. FLATHER. I paid it.

Mr. SMITH. What was the object of procuring Mr. Felt to make that note for you?

Mr. FLATHER. I do not know that I had any real reason, Mr. Smith, except that I was borrowing some money here, and I thought I would get Mr. Felt to borrow some for me. That is all there is to it. It was my money and my collateral.

Mr. SMITH. And you borrowed the money from a national bank in which you were an officer and in a way that it did not show that you were the borrower?

Mr. FLATHER. Yes; that is very true.

Mr. SMITH. In table No. 5, just referred to—

Mr. FLATHER. But I never passed on that collateral nor on any other note which I ever had discounted or borrowed money on from the Riggs National Bank.

Mr. SMITH. You procured Mr. Felt to give you his note for the purpose of getting the money, did you not?

Mr. FLATHER. Mr. Felt gave his note with my collateral at my request; yes.

* * * * *

TESTIMONY OF W. J. FLATHER—Continued.

Mr. SMITH. The other day, Mr. W. J. Flather, Mr. Glover stated that the proceeds of the A. M. Nevius note were his, in other words, that was an accommodation note procured by him. The George H. Felt note, I believe, was the one you said was an accommodation note for you.

Mr. FLATHER. I would not call it an accommodation note.

Mr. SMITH. You procured Mr. Felt to give it, and you got the proceeds?

Mr. FLATHER. I loaned Mr. Felt that collateral and he borrowed the money on it, the same as you or anybody else would, and gave me the money.

Mr. SMITH. As a matter of fact—I think it is covered, but you make that statement now, so I want to ask you again; that is one way, possibly, of

stating it. As a matter of fact, did not you procure Mr. George H. Felt to make out his note and put it in the bank for the express purpose of borrowing money from the bank for your use, so that your name would not show as being the borrower?

Mr. FLATHER. I do not know that I would put it that way, Mr. Smith.

Mr. SMITH. Is not that the correct way of putting it?

Mr. FLATHER. I will say just what I said before, that I loaned Mr. Felt this stock. He borrowed the money on it from the bank, and I got the proceeds.

Mr. SMITH. As a matter of fact, then, you went to him and asked him to give you the note?

Mr. FLATHER. I went and asked him to borrow the money.

Mr. BAILEY. The note was not given to you at all?

Mr. FLATHER. No; the note was not given to me at all.

Mr. BAILEY. The note was made direct to the bank?

Mr. FLATHER. Made direct to the bank; yes.

Mr. SMITH. Did he make the note and put it in the bank, or did you get it from him and put it in the bank yourself?

Mr. FLATHER. How is that?

Mr. SMITH. Did he present the note to this bank for discount, or did you?

Mr. FLATHER. I could not state at this time.

Mr. SMITH. What would you think? What is your impression?

Mr. FLATHER. I am not testifying to thought, am I?

Mr. SMITH. You have some thoughts on the matter. You know the transaction. You handled it. In other words, did he actually come into the bank and present a note for discount and get the proceeds in cash and take it outside and give it to you?

Mr. FLATHER. I do not think he did.

Mr. SMITH. He simply signed the note and turned it over to you?

Mr. FLATHER. That is my impression.

Mr. SMITH. And you got the proceeds?

Mr. FLATHER. That is my impression.

Mr. SMITH. Then you procured him to give an accommodation note for you?

Mr. FLATHER. You know the exact facts.

Mr. SMITH. I am asking the question.

Mr. FLATHER. I have answered.

Mr. SMITH. Did you or did you not procure him to give you an accommodation note for your benefit?

Mr. FLATHER. I loaned him my collateral and he borrowed the money from the bank and I got the proceeds.

Mr. SMITH. You loaned him your collateral?

Mr. FLATHER. Yes.

Mr. SMITH. He did not have anything to do with it except the signing of the note, did he, and he signed that at your request?

Mr. FLATHER. Yes.

Mr. SMITH. Then, why do you say you loaned him the collateral?

Mr. FLATHER. To borrow the money from the bank.

Mr. SMITH. He did not get any money from the bank, did he? You got the money from the bank?

Mr. FLATHER. I used the money.

Mr. SMITH. In other words, instead of loaning him collateral he loaned you his name?

Mr. FLATHER. You can put it that way if you please.

Mr. SMITH. Is not that the correct way of putting it?

Mr. FLATHER. I do not know.

Mr. SMITH. You are an officer of a national bank and have been for years. You certainly know what is the true statement of a case like that.

Mr. FLATHER. I loaned Mr. Felt that collateral and he borrowed the money and I used it.

Mr. SMITH. Did he get any money from the bank?

Mr. FLATHER. You mean actual money?

Mr. SMITH. Actual money.

Mr. FLATHER. I doubt if he did.

Mr. SMITH. Funds or credits?

Mr. FLATHER. I doubt if he did.

Mr. SMITH. Then why do you say he borrowed the money from the bank?

Mr. FLATHER. Because he gave his note.

Mr. SMITH. But he did not get a cent?

Mr. FLATHER. On his note he says, "I promise to pay to the Riggs National Bank" so much.

Mr. SMITH. That is all right, but did he get any money?

Mr. BAILEY. Mr. Flather, you have answered that question three or four times. Decline to answer it any more.

Mr. SMITH. Do you decline to answer?

Mr. FLATHER. Any more than I have.

Mr. BAILEY. Upon the ground you have answered three or four times.

Mr. FLATHER. Yes.

TESTIMONY OF MR. W. J. FLATHER IN RE KNOWLEDGE DIRECTORS HAD REGARDING DUMMY LOANS.

Mr. SMITH. Mr. Flather, in the case of the A. M. Nevius loan, the Felt loan, and B. L. Nevius loan, if those loans were put for approval to the discount committee and afterwards the board of directors, in what manner were they put up? Did it show and were the board and the discount committee informed as to who was the real borrower?

Mr. FLATHER. Not to my knowledge, Mr. Smith. We submit a list of all loans made, with the collateral, giving the name of the borrower and the collateral offered and the amount of the loan and the market value of it, and they pass upon that.

Mr. SMITH. Did or did not the board of directors know the true borrower?

Mr. FLATHER. As far as I know, they only knew the person who gave the note—the name of the person who gave the note.

Mr. BAILEY. And the collateral?

Mr. FLATHER. And the collateral; yes. You will find that in every bank. As a matter of fact, Senator Bailey, very few banks give the name of the borrower. They simply give the amount of the loan and the collateral.

That, of course, gentlemen, is very incorrect, his suggestion there that the banks do not give the names of the borrowers. You can very readily see the tendency of such a practice as this. Mr. Flather, by getting enough dummies, could take all the money in the bank on that theory. None of the directors would know who was borrowing it or where it was going. He admits he is getting the money out, and he has done it in the names of dummies, and the board of directors did not know who were the real beneficiaries. This proceeds:

Mr. SMITH. Mr. Flather, some time ago in the course of questioning you were asked about a Felt note for \$17,500, and stated that that was a note on which you got the proceeds, that the collateral belonged to you, and that you paid the note. I would like to ask you what other loans, if any, the Riggs National Bank has made since its organization in the names of persons other than yourself where you got the proceeds or a portion of the proceeds?

In other words, the examiner is trying to find out the extent to which these dummy loans were in the bank.

Mr. FLATHER. Mr. Smith, I have told you all I know about the Felt loan. I do not know what other loan or loans I loaned the collateral for and in which I was interested.

That is a very convenient answer—he does not know anything else. He does not say there were no such loans positively. He just says he does not know.

I do know, however, that neither myself nor anybody who ever borrowed money on my collateral—I will restate that this way: I do know, however, that the Riggs National Bank has never lost a cent on any loan made either to me direct or to any other person who borrowed on collateral loaned by me.

Mr. SMITH. What I am asking, however, is to be informed what loans other than the Felt loan this bank has discounted, which I will term "accommodation" notes for you.

Mr. FLATHER. I do not recall any, Mr. Smith.

Mr. SMITH. Are there any others?

Mr. FLATHER. I do not know of any.

Mr. SMITH. Can you state positively that this is the only one?

Mr. FLATHER. No; I can not state positively, because, as you know for yourself, 18 years is a long time to remember a thing.

Mr. SMITH. Have you any record personally—

Mr. FLATHER (interrupting). Not that would disclose that fact.

The vice president of the bank informed the examiner that he keeps no record to show the extent to which he is operating on dummy loans.

Mr. SMITH. Has the bank any record which would disclose that fact?

Mr. FLETCHER. Not that I know of. Any moneys which I may have borrowed from the bank are in the records.

Mr. SMITH. Take this Felt note, for instance. Suppose an examiner goes back on the books and runs across that note, entered on the books; there is absolutely nothing on the books showing that Mr. Felt did not get the proceeds but that you did. That is true, is it not?

Mr. FLATHER. What is that?

Mr. SMITH. There is nothing on the books to show the proceeds of this note went to any other—

Mr. FLATHER (interrupting). The books show the record as it was.

Mr. SMITH. That is the point I am asking about. Do the books show the record as it was?

Mr. FLATHER. The books do show the record as made.

Mr. SMITH. Do not the records show Mr. Felt borrowed that money?

Mr. FLATHER. Mr. Felt gave the note. The books show Mr. Felt gave his note.

Mr. SMITH. But do not the books show that Mr. Felt borrowed the money?

Mr. FLATHER. The books show Mr. Felt gave his note, and that the note was secured by adequate collateral.

* * * * *

Mr. SMITH. I simply ask this question, and I will ask it again of Mr. Flather, if the books do show—

Mr. FLATHER (interrupting). The books show the transaction as it was made.

Mr. SMITH. In other words, the books show that the bank received a note signed by Felt?

Mr. FLATHER. George H. Felt.

Mr. SMITH. With so much collateral for so much money?

Mr. FLATHER. Yes, sir.

Mr. SMITH. But there is nothing on the books to indicate whether Mr. Felt borrowed that money for your benefit?

Mr. FLATHER. No.

Mr. SMITH. In other words, an examination of the books will not determine what other notes may have been in the bank for your benefit similar to the Felt note?

Mr. FLATHER. In no instance.

It was concealed, apparently, all the way through as far as he could do it.

Mr. SMITH. Have you any personal record which would enable you to give me a list of those notes?

Mr. FLATHER. I have not.

Mr. SMITH. Then, outside of memory, there is no way of ascertaining it?

Mr. FLATHER. No.

Senator GRONNA. What was the financial standing of Mr. Nevius and Mr. Felt? Was that gone into?

Mr. WILLIAMS. I do not think either of them were men of any financial standing. I think one of the Neviuses was a junior clerk in the Riggs Bank. The other Nevius, I think, was in the laundry business. You have the cashier of the bank, or the officers of the bank, using one of the junior clerks in dummy transactions.

It was after this testimony by the officers of the bank showed that the bank's records would not show the real borrowers of money that

we addressed them that inquiry on January 22, a few days after the examiner had failed to get any satisfactory data, in which we requested them to give us the information in regard to the borrowings of the officers on dummy loans, and their refusal to give that information resulted in the assessment of the \$5,000 fine, which precipitated the litigation.

Senator FLETCHER. They never did answer that letter?

Mr. WILLIAMS. They never did give that information, not up to this day. But they promised in their letters, which were written to the comptroller's office at the time of the renewal of the charter, that they would thereafter conduct the bank in accordance with the provisions of the national-bank act and the rules and regulations of the comptroller's office, and I hope that is being done.

Senator FLETCHER. The law limits the amount of loans to any one individual?

Mr. WILLIAMS. Yes, sir.

Senator FLETCHER. Could one purpose of using these dummies have been to avoid that part of the law?

Mr. WILLIAMS. I think that was, in all probability, exactly what they had in mind. They wanted to get around that.

Senator FLETCHER. Even though there was ample security, still there was really and in fact a violation, or there might have been a violation, of the law?

Mr. WILLIAMS. There were three aspects in which this was wrong. One was that it was a direct violation of the law and an endeavor to circumvent the law.

Another thing, it was the adoption of the dummy principle by men inside of the bank—more reprehensible than it would be anywhere else. The very officer who should guard and protect the deposits of the bank from violations of the law was violating the law himself. Then, again, they were doing it in an underhand and secret way, by which their operations were concealed from their own officers and their own directors.

The CHAIRMAN. Mr. Williams, do you expect to conclude this afternoon?

Mr. WILLIAMS. No, sir.

The CHAIRMAN. How much more time do you think you will need?

Mr. WILLIAMS. It will depend on the amount of additional testimony that I may have to answer.

The CHAIRMAN. That is a matter for the future. I mean, up to date.

Mr. WILLIAMS. I think I can dispose of the Riggs Bank testimony, as far as that is concerned, in an hour or two. I shall then want time to sum up and review the testimony which has been given, before closing entirely.

The CHAIRMAN. You may proceed.

Mr. WILLIAMS. In my letter to the Riggs National Bank of March 9, 1915, I call on them for a special report in regard to certain loans made by the bank. In that letter, on page 148 of the correspondence with the Riggs Bank, I say:

This office considers that this information is necessary or desirable in order to determine the true present condition of your bank and the sums of money, if any, which the bank may still be rightfully entitled to collect from its officers

for whose personal benefit or accommodation, it appears from your records, the bank's funds have been so largely used in the past.

Investigations by this office indicate that the officers of your bank have not only made or connived at the making of so-called "dummy" or indirect loans, by which funds are furnished to customers beyond the amounts which the bank could legally lend directly to those customers, as in the case of the five loans of \$50,000 each (\$250,000) made some years ago to your clerks, H. V. Haynes, F. A. Gibbons, S. B. Harrison, A. M. Nevius, and W. C. Worthington, for the benefit of one Dunlop, whose excessive loans you had been directed to eliminate from the bank, but your officers have on different occasions, it appears, loaned to themselves or one to the other the bank's funds through these so-called "dummy" or indirect loans; as, for example, when your president, less than a year ago, got \$86,500 of money from the bank through a note made by the assistant paying teller on collateral furnished by your president for hypothecation.

Your president, C. C. Glover, being under oath, was asked on January 11, 1915, by the national-bank examiner in regard to the above note for \$86,500, signed by the assistant paying teller of the bank:

"BANK EXAMINER. Who got the proceeds of this note?

"MR. GLOVER. I did.

"BANK EXAMINER. Who paid the note, when it was paid?

"MR. GLOVER. I did.

"BANK EXAMINER. And you borrowed money from the bank in the name of Nevius?

"MR. GLOVER. Yes."

The "dummy" loan is again in evidence when your cashier, H. H. Flather, got \$26,400 of the bank's money on the note of one Nevius, unknown to the bank examiner, but who your president and cashier have under oath described as being engaged in the "laundry" business and a brother of your assistant paying teller, and who, it appears, permitted himself to be used for this purpose by your cashier.

The records show that on January 11, 1915, the bank examiner put the following question to your cashier, H. H. Flather (who was under oath), in reference to this \$26,400 note signed by Nevius, the laundryman:

"Question by BANK EXAMINER. In other words, you were borrowing from the bank in the name of B. L. Nevius?"

To which H. H. Flather replied "I was."

No report, it appears, had been made by Mr. H. H. Flather as to this money which he thus admitted he was "borrowing from the bank in the name of B. L. Nevius," in the various statements of the bank's condition which he had sworn to since that loan was originally negotiated, in April, 1911, and it was only under a rigid examination that the facts of the case, as now understood, were finally brought out.

Another instance of the "dummy loan" occurs when your vice president, W. J. Flather, got from the bank, in April, 1912, \$17,500 on a note signed by one G. H. Felt, a bookkeeper at a salary of \$1,700 per annum in the American Security & Trust Co., in which company Mr. W. J. Flather is also a director. Vice President W. J. Flather, on January 11, 1915, made the following replies under oath to questions by the bank examiner.

Referring to the \$17,500 note signed by G. H. Felt, the bank examiner said to Mr. W. J. Flather:

BANK EXAMINER. The correspondence shows you received the proceeds of that note.

W. J. FLATHER. I did; yes, sir.

BANK EXAMINER. Who paid it when it was paid?

W. J. FLATHER. I paid it.

BANK EXAMINER. What was the object in procuring Mr. Felt to make that note for you?

W. J. FLATHER. I do not know that I had any real reason, Mr. Smith, except that I was borrowing some money here, and I thought I would get Mr. Felt to borrow some for me. That is all there was to it. It was my money and my collateral.

BANK EXAMINER. And you borrowed the money from a national bank in which you were an officer, and in a way that it did not show that you were the borrower?

W. J. FLATHER. Yes; that is very true.

The bank examiner, in the course of his examination of Vice President W. J. Flather asked him, on January 15, 1915, how the notes of \$86,500 (proceeds of which President Glover got), \$26,400 (proceeds of which went to Cashier H. H. Flather), and \$17,500 (proceeds of which were turned over to Vice President Flather) were presented for approval to the discount committee, and afterwards to the board of directors, and "whether the discount committee and the board of directors were informed as to who the real borrowers were."

Vice President Flather's replies were as follows:

Answer (W. J. Flather). Not to my knowledge. Mr. Smith. We submit a list of all loans made, with the collateral, giving the name of the borrower and the collateral offered, and the amount of the loan and the market value of it, and they pass upon that.

BANK EXAMINER. Did or did not the board of directors know the true borrower?

W. J. FLATHER. As far as I know, they only knew the person who gave the note—the name of the person who gave the note.

On March 5, 1915, A. M. Nevius, second or assistant paying teller of the Riggs National Bank, was questioned under oath by the national bank examiner, and in reply to the following questions made the following answers (Mr. Nevius's salary is \$2,100 per annum):

BANK EXAMINER. In April, 1914, you gave your note to the bank for \$86,500.

Mr. NEVIUS. I don't vividly recall it at this time.

Now, gentlemen, this statement of the assistant bookkeeper, with a salary of \$2,100 per annum, was being asked, less than a year after he had given the note, what the facts were in regard to it. Less than 12 months had passed and he says:

I do not vividly recall it at this time. I know that I gave some notes to the bank.

That was what we were trying to find out, how many notes were given to the bank by these clerks. Continuing Nevius says:

I have not looked at the bank's records particularly. I don't know whether it was in April. I could refer to the records.

* * * * *

BANK EXAMINER. Mr. Nevius, regarding the \$86,500 note in April, 1914, that you gave the bank, tell me in your own way, if you desire, the transaction. Did you get the proceeds or was it given for somebody else's benefit, or what was there about it?

Mr. NEVIUS. It was not given for my benefit.

BANK EXAMINER. What was the transaction, as far as you know it?

Mr. NEVIUS. As far as I know, I acted in the capacity of someone in whom I was personally interested. I don't know whose capacity, but I surmised it was one of the men who had been friendly to me and knew that they could—

Gentlemen, dwell on that picture for a moment. Here is this junior clerk in the bank giving notes, does not remember how many, does not remember when they were given, and when asked for whom they were given and why given, he says:

As far as I know, I acted in the capacity of some one in whom I was personally interested.

The CHAIRMAN. The records will show just how many notes he gave?

Mr. WILLIAMS. No; I beg your pardon. They do not show how many notes. I tried to get that information.

The CHAIRMAN. Do the records show what notes of Nevius's had been discounted?

Mr. WILLIAMS. The bank declined to give me the information.

The CHAIRMAN. Has not Mr. Glover told you frankly all about this transaction?

your president, your two vice presidents, and your cashier exceeded \$260,000 exclusive of the indirect or "dummy" loans which some of your officers were also borrowing at that time, as has been developed in the recent investigation by the bank examiner.

At the time of the next examination of your bank, October, 1913, the loans to officers and directors had been somewhat reduced, but still amounted, exclusive of indirect or "dummy" loans, to approximately 60 per cent of the bank's capital, although the examiner reported at that time that the bank was short in its reserve.

And on page 158:

In his report of this examination—

October, 1913, the last examination prior to the examination by Examiner Trimble in May, 1914—

complained that he experienced considerable difficulty in balancing the notes of the bank, due to the fact that no one man seemed to have control over them, and as a result they were found in different departments of the bank, scattered about, some in one place and some in another.

* * * * *

It should be remembered that it was not many years ago that the president of a large and prominent western bank, who had posed as the leading citizen in his community, using the funds of his bank secretly for his private deals, went from bad to worse and was finally overtaken and sentenced to a long term in the Leavenworth Penitentiary.

It is earnestly hoped that the conditions in the Riggs National Bank, concerning which the management has been repeatedly warned, may be fully and thoroughly corrected, rather than grow worse.

It seems amazing that with the repeated remonstrances and the criticisms from the office of the comptroller the bank should have complained, as Mr. Hogan did, that there had been no criticisms made and no suggestions given by the comptroller's office as to what reforms should be instituted.

Mr. Chairman and gentlemen, I will ask your indulgence while I read to you my letter of March 25, 1915, imposing and assessing the fine of \$5,000 against the bank:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, March 30, 1915.

THE RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: On January 22, 1915, the Comptroller of the Currency addressed you the following letter calling upon you to furnish this office certain special reports, which, in the judgment of the comptroller, were necessary in order to a full and complete knowledge of the conditions of the Riggs National Bank:

JANUARY 22, 1915.

THE RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: In view of conditions in your bank brought to light by the national bank examiner, this office, in order that it may be more fully informed as to the extent to which funds of your bank have been used by its officers for personal and private benefit through indirect or "dummy" or concealed loans, as well as through direct borrowings, requests that you prepare and deliver to this office within 10 days, under penalties provided in sections 5211 and 5213, Revised Statutes of the United States, a statement or report showing:

First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Ailes, H. H. Flather, Joshua Evans, Jr., or any of them, and to members of the respective families of the above named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

Second. All indirect or "dummy" or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of

the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, M. E. Ailes, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole or any portion of the collateral by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Ailes, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them; giving a full description of all notes and of the collateral, if any, by which they were secured, also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, M. E. Ailes, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them in each case.

Let your reply be under oath and over the signatures of C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, and Joshua Evans, jr.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

The investigations of the bank examiner had raised serious questions as to whether or not your bank had collected the proper amount of interest, which it was entitled to receive, from its officers on loans (large and small) which had been made to these officers personally, sometimes directly on notes signed by themselves and sometimes indirectly on "dummy" notes signed by clerks of the Riggs National Bank, or of other banking institutions, or by outsiders, which said "dummy" loans were usually secured by "collateral" provided by the officers of the Riggs National Bank.

It was believed to be desirable and important in order to determine the present true condition of the Riggs National Bank, and the sums of money which the bank was rightfully entitled to and which it might not have collected from its debtors, that these special reports should be furnished to the comptroller's office within the time mentioned in the letter aforesaid.

You acknowledged receipt of the letter from this office of January 22, 1915, under date of February 1, 1915, and refused to furnish the special reports called for.

This office could not accept, as an excuse for your refusal, the claim made in your letter that the large amount of money which the national bank examiner found the Riggs National Bank lending to its own officers at the time of his examination last summer, on both direct and indirect or "dummy" loans, amounting to some hundreds of thousands of dollars, had nearly all been paid. Their repayment did not dispose of unsettled and important questions affecting the condition of your bank. It is instructive, though not reassuring, just here to point out that these payments were largely made by transferring the loans of your officers to other national banks and to some of the trust companies of the District. The reports of national bank examiners to this office indicate that the money being borrowed at a recent date from national banks and from trust companies of the District by four of the senior and junior active officers of your bank amounted to more than seven hundred and fifty thousand dollars (\$750,000).

That shows the extent at that moment of their speculations, as far as ascertained by the examiners' reports.

These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees.

We do not know what their borrowings were in other State banks and other national banks, but in these particular institutions this small group—these for officers of this bank—were borrowing more than \$750,000.

Senator GRONNA. From outside banks?

Mr. WILLIAMS. Yes, sir. Mind you, this says:

These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees, and by two of the local trust companies.

Through the influence of these officers with these institutions, with which they were officially connected in one way or another, they got

these large loans, amounting at that time to over \$750,000, just these four officers of Riggs Bank.

The CHAIRMAN. I suppose Mr. Glover could have borrowed that sum himself in any one of these banks, could he not, without any trouble?

Mr. WILLIAMS. He would not do it with the approval of the Comptroller of the Currency. There is no one of these banks in Washington that would have had authority to lend \$750,000. And I will say this, that it could not have been done in the District without resorting to dummy loans and concealing it from the bank examiners.

The CHAIRMAN. So far as his credit is concerned, he would be good for that amount, I suppose?

Mr. WILLIAMS. I do not know, Mr. Chairman, as to what Mr. Glover is worth or what his borrowing capacity may be. That is not the question we were discussing at all. I do not see how his ability to borrow money enters into it. I am talking about what these officers were borrowing from banks under the supervision of this office, on speculative securities, largely. I am not undertaking to say to what extent Mr. Glover, as an individual, may go anywhere and borrow money. That is not my province at this time. It would be my province to see that Mr. Glover did not borrow from any one national bank more than the amount he was permitted by law to borrow from that bank, and to see that he did not borrow in an indirect way more than the amount fixed by the law.

The CHAIRMAN. Had he borrowed more than he was entitled to?

Mr. WILLIAMS. I do not know, because he refused to give me that information.

The CHAIRMAN. I suppose an examination of the other national banks would disclose that.

Mr. WILLIAMS. I do not know. I asked the Riggs Bank to give me a list of the loans made directly and indirectly to officers, and they refused. This proceeds:

These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees and by two of the local trust companies, and were secured mainly by stocks and bonds, many of the stocks decidedly speculative, such as Greene-Cananea Copper, Lanston Monotype, Nevada Consolidated Copper, Missouri Pacific Railway, American Can common, Reading common, B. & O. common, United States Steel common, Pacific Gas & Electric Co. common, Wabash fours, Pacific Coast second preferred, United States Rubber preferred, Intercontinental Rubber common, Pittsburgh Coal preferred, Washington Railway & Electric, Seaboard Air Line preferred, Southern Railway preferred, Utah Copper, and Washington Utilities Co. stock; and they were hypothecated in these loans nearly all of the stock of the Riggs National Bank owned by the borrowing officers.

In addition to pledging and hypothecating these speculative securities, which they bought on margin, they had also hypothecated nearly all of the stock of the Riggs Bank owned by these particular four borrowing officers. Suppose anything had happened to the bank and it should have been necessary to assess the stock, what could they have done?

It should be here noted that, in the opinion of this office, no excuse has ever been given for the action of your president in getting \$86,500 of money from the bank without the knowledge of its directors as to the real borrower, on a note signed by the assistant paying teller of the bank (salary \$2,100) for use in one of his [C. C. Glover's] personal real estate deals or transactions. The

statement that the real estate notes, arising from the deal, might be sold to a customer, or customers, of the bank and thus accommodate such customer does not relieve this dummy or concealed loan of odium. The practice, which appears to have been in vogue in your bank for some years past, for the officers or junior clerks of your bank to borrow its funds, sometimes in their own name and sometimes in the name of dummies and sometimes as dummies for others, on speculative stocks and bonds is unbusinesslike, sets a very bad example to the bank's over employees, and is, in fact, thoroughly reprehensible and can not be too strongly condemned, notwithstanding the fact that your president, as late as January 11, 1915, referring to the \$86,500 of money borrowed by him in the name of the paying teller of the bank said, when being examined under oath, "I did not see any reason why it should not be done in that way." And, again, on March 5, 1915, after he had had opportunity of reflecting upon his conduct, he made the following statement: "I did not consider I was doing anything wrong," indicating an ethical standard which is not consistent with the recognized conceptions of sound banking.

The CHAIRMAN. That loan was in connection with the purchase of the Navy Annex Building, was it not? It was the purchase of some real estate?

Mr. WILLIAMS. Some real estate loan for which it was desired to obtain a commission. I may speak more feelingly about these practices than you think the situation justifies, but I assure you I think you would feel as strongly as I do if you could see the wrecks of the banks which have been occasioned by practices of this kind, where the officers, the men on the inside, have obtained money in an irregular or unlawful way. More banks are broken from the inside than from the outside. I should say that of the bank failures in this country ten times as many banks have been broken by men on the inside in the past 50 years as have been destroyed by burglars from the outside—ten times as many. I can realize that my correspondence may have seemed to some of you to have been a little impatient, but I earnestly urge that you consider the fact that the situation had impressed me as being an exceedingly dangerous one; one which had been going on for a long time, and which I was gravely apprehensive would bring serious loss, if not ruin, unless it was checked; and I am happy to say that these practices were largely checked as a result of the activities of the comptroller's office, and they were not checked a bit too soon.

These stock operations were suspended, I think, probably in June, 1914, or just a month before the markets of the world were frozen up as a result of the outbreak of the European war. If they had continued in the full swing of speculation up to the 1st of August I think it is reasonable to apprehend that the conditions would have been very much more serious than they were for this bank. But as a result of the earnest admonitions and remonstrances of the comptroller's office, the private wires were done away with, and the clientele which were accustomed to frequent the corridors of the bank for their speculative ventures went elsewhere.

(Continuing to read:)

Such practices are sometimes attended with direful consequences to employees as well as to the bank whose funds are being jeopardized, as the following press dispatch relating to the tragic fate of a receiving teller in a Cleveland, Ohio, bank whose borrowings, \$775 were insignificant as compared with the loans to your officers and employees, pathetically and clearly shows—

"CLEVELAND, March 18.

"Bertram O. Hill, 38, receiving teller at the Cleveland — Bank, shot and instantly killed himself to-day. * * *

"Shortly before his suicide Hill received a letter from a Pittsburgh bank reminding him payment was expected Friday of his note for \$775."

The suggestion you have offered that the bank examiner should, himself, get from your books the details as to your "dummy" or "concealed" loans, I regret to say can hardly be regarded as being offered in good faith, in view of the testimony given under oath by different officers of your bank that, in reporting "dummy" or concealed loans to the discount committee and to the board of directors, the names of the real borrowers were not made known—"as far as I know they only knew the name of the person who gave the note." [Testimony of Vice President Flather under oath, Jan. 15, 1915], and the subsequent testimony of your paying teller on March 5, 1915, that there was nothing in the books or records which would show positively which loans were "dummy" loans and that in order to select such loans from the records he would "have to rely on memory."

On February 11, 1915, this office wrote you as follows:

"TREASURY DEPARTMENT,
"COMPTROLLER OF THE CURRENCY,
"Washington, February 11, 1915.

"The RIGGS NATIONAL BANK,

"Washington, D. C.

"Sirs: On the 22d ultimo this office requested you to prepare and furnish within 10 days, under the penalties provided in sections 5211 and 5213, R. S., a statement, or report, showing:

"First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Ailes, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

"Second. All indirect or 'dummy' or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., or any of them indorsed or for which they furnished the whole, or any portion of the collateral, by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Ailes, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them, giving a full description of all notes and of the collateral, if any, by which they were secured, also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them in each case."

This office has received a letter from you dated February 1, 1915, in which you claim that the loans heretofore made to its officers by the Riggs National Bank have now been paid, and that the only loan to any member of the respective families of the officers named is a certain loan to the wife of your cashier.

You also say:

"Replying to your second request, we beg to say that this bank has never made any 'dummy' or 'concealed' loans to any of the officers named * * *."

This office has information which indicates to the contrary.

You say, referring to letter from the comptroller's office of the 22d ultimo:

"As the statement which you request would require an examination of all of the books of this bank during the 18 years of its existence, thus entailing serious loss of time and diverting the attention of our officers and employees from our current business, and as it could not, except as to the loan to Mrs. Emma A. Flather, a full report of which we have given you above, possibly add anything to your full and complete knowledge of the condition of this bank, for which purpose only section 5211 authorizes you to call a special report, we decline to furnish it."

It is with regret, although not with surprise, that the comptroller notes your official admission that the preparation of a statement showing the borrowings from the Riggs National Bank of its own officers—its president, its two vice presidents, its cashier, and its assistant cashier—would be a task of such large dimensions as would "entail serious loss of time and diverting the attention of our [your] officers and employees from our [your] current business."

The comptroller desires me to notify you that for your refusal to furnish to this office the report called for in the letter from the Comptroller of the Currency of the 22d ultimo you are liable for a continuing penalty of \$100 per day,

as set forth in the letter of the 22d ultimo, above referred to, in accordance with sections 5211 and 5213 of the Revised Statutes.

Respectfully,

T. P. KANE,
Acting Comptroller.

You are now hereby notified that for your failure to make and transmit to this office within the time mentioned, or within five days after the expiration of said time, the special report or reports called for in the aforesaid letter of January 22, 1915, you are hereby assessed and directed to pay the penalty of \$100 per day for each day from February 8, 1915, to date, March 30, 1915, both dates inclusive, in accordance with the Revised Statutes of the United States. Said penalties amount to this time to \$5,000, which sum you are hereby directed to pay at once into the Treasury of the United States under the provisions of the statutes above referred to.

You are furthermore notified that continued failure on your part to furnish the reports called for in the letter from this office of January 22, 1915, will subject you to further and continuing penalties under the provisions of sections 5211 and 5213 of the Revised Statutes of the United States.

The \$5,000 assessment imposed as above stated is in addition to all other penalties which you have incurred and are incurring for your failure to furnish other special reports which have heretofore been called for by the Comptroller of the Currency, in accordance with the provisions of sections 5211 and 5213 of the Revised Statutes.

I call your attention to the fact that those other penalties were never assessed at any time by the comptroller's office.

Now, gentlemen, as to the views of the court, the language of the court itself on this subject, as to whether there was any evidence indicative of any conspiracy to injure by the Secretary of the Treasury or the Comptroller of the Currency. I ask your attention to page 625 of the record of the supreme court of the District, where the court says:

I think the proof of good faith on the part of Mr. McAdoo, whatever he had to do with this matter, and of the comptroller, is absolute and complete.

(Thereupon, at 5 o'clock p. m. an adjournment was taken until tomorrow, Tuesday, July 29, 1919, at 10 a. m.)

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The suggestion you have offered that the bank examiner should, himself, get from your books the details as to your "dummy" or "concealed" loans, I regret to say can hardly be regarded as being offered in good faith, in view of the testimony given under oath by different officers of your bank that, in reporting "dummy" or concealed loans to the discount committee and to the board of directors, the names of the real borrowers were not made known—"as far as I know they only knew the name of the person who gave the note." [Testimony of Vice President Flather under oath, Jan. 15, 1915], and the subsequent testimony of your paying teller on March 5, 1915, that there was nothing in the books or records which would show positively which loans were "dummy" loans and that in order to select such loans from the records he would "have to rely on memory."

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"Replying to your second request, we beg to say that this bank has never made any 'dummy' or 'concealed' loans to any of the officers named * * *."

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You are furthermore notified that continued failure on your part to furnish the reports called for in the letter from this office of January 22, 1915, will subject you to further and continuing penalties under the provisions of sections 5211 and 5213 of the Revised Statutes of the United States.

The \$5,000 assessment imposed as above stated is in addition to all other penalties which you have incurred and are incurring for your failure to furnish other special reports which have heretofore been called for by the Comptroller of the Currency, in accordance with the provisions of sections 5211 and 5213 of the Revised Statutes.

I call your attention to the fact that those other penalties were never assessed at any time by the comptroller's office.

Now, gentlemen, as to the views of the court, the language of the court itself on this subject, as to whether there was any evidence indicative of any conspiracy to injure by the Secretary of the Treasury or the Comptroller of the Currency, I ask your attention to page 625 of the record of the supreme court of the District, where the court says:

I think the proof of good faith on the part of Mr. McAdoo, whatever he had to do with this matter, and of the comptroller, is absolute and complete.

(Thereupon, at 5 o'clock p. m. an adjournment was taken until tomorrow, Tuesday, July 29, 1919, at 10 a. m.)

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NOMINATION OF JOHN SKELTON WILLIAMS

**STANFORD
LIBRARIES**

HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS.

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 10

Printed for the use of the Committee on Banking and Currency



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1919**

COMMITTEE ON BANKING AND CURRENCY.

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NOMINATION OF JOHN SKELTON WILLIAMS.

TUESDAY, JULY 29, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.10 o'clock a. m. in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present Senators McLean (chairman), Penrose, Calder, and Newberry.

Present also Hon. John Skelton Williams, Comptroller of the Currency, and others.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. Mr. Chairman and gentlemen, before proceeding with the subject which we had under discussion when I left off yesterday, I am wondering if I might ask the committee, if it be agreeable to them, to indicate to me how much longer these hearings are likely to continue. I am very much aware of the fact that the time of the committee is exceedingly valuable, we have already consumed some three weeks time, I think, in February before a previous committee of the Senate, which made a favorable report on this matter, and these hearings have been going on now for about a month. The Comptroller of the Currency has under his supervision, and is to a certain extent responsible for the lawful and proper administration of, as far as the national banking act is concerned, some 8,000 national banks.

The office of Comptroller of the Currency, which I have had the honor of holding, is not an easy job, and it is certainly not the desire for financial remuneration that has made me continue to hold it. I have done the best that I could as comptroller in the discharge of the obligations which I assumed when I took the oath of office, and, as to whether those efforts have been successful or not, I point to the record. This record shows that for the past five or six years that I have had charge of this work, the results have been the most satisfactory of any similar period in the country's history.

In the past two and one-half years of strain and stress and trial of war the record shows that the failures of national banks has been fewer than at any previous period since the national-bank act was originally passed. As a matter of fact, this record shows that in the preceding 25 years the number of national-bank failures, per 1,000 operated banks was 16 times greater per annum than in the past two and a half years of unprecedented strain and trial.

The records also show that in the matter of growth and resources the national banks have increased more in the past 5 or 6 years than in the previous 47 years. They also show that, despite the fact that the national banks have been required to observe the law more closely and more rigidly than ever before and that they have observed the law more closely, their earnings have been far greater than in any previous years or in any previous administration both as to the gross receipts and as to the net earnings.

Those figures which I have briefly summarized reflect upon—and, I think you will agree, very favorably—the administration of the office in the past five or six years.

The CHAIRMAN. That is generally true in regard to State banks, as well as national banks, is it not, Mr. Williams?

Mr. WILLIAMS. The showing of State banks is nothing like as favorable. There are in the record figures which show that to be true. I shall be very glad to refer you to that portion of the record, where a comparison has been made in the previous hearings, if you desire it.

As to the criticisms and complaints which have been of the comptroller's office and his administration, as I stated, the Comptroller of the Currency has under his supervision more than 7,850 national banks, with which he is in immediate touch and almost daily correspondence. If those national banks had been the victims of discrimination or of injustice, it is likely that some of them would have come forward to file their complaints. I am not willing to believe that the national bankers of the country are cowards. I should resent the imputation that they are. If they had a grievance they would come forward like men and state it.

But what do we find? These hearings have been going on, at intervals, for nearly six months, and in all that time, although there are about 25,000 executives of national banks, not one has come forward to make complaint against the administration of the Comptroller of the Currency of his own accord. And of those who have been summoned by the committee, who have come forward and have stated to you that they came forward unwillingly, if we include all those, there has only been one officer of a national bank come forward to testify against this administration, or to charge partiality or discrimination, out of 25,000, and that one officer who came forward gave testimony here which has been shown to have been utterly untrue and unfair on the testimony of witnesses whose statements can not be challenged. Aside from that one executive of one national bank summoned by this committee to tell all he knew, and who did not tell what he knew, but whose evidence was exceedingly unfair and incorrect, there has not been one officer of one national bank appear at any of these hearings in the past six months.

Who has come forward to testify? Where have the complaints come from?

The principal witness has been an executive of one or two small savings banks of the District, who made various charges and complaints the falsity of each one of which has been demonstrated to this committee. And as to the character of that witness, he has been shown by testimony given there to be thoroughly discredited, and untrustworthy, and a falsifier. That evidence is before you in the record. We have shown that his original complaint was based upon a refusal

of the national-bank examiner to permit him to load this local savings bank down with rotten paper from a string of banks in which he and a number of his confreres were interested in various places in the South—as I say, rotten paper which no bank should have entertained for one second. I pointed out to you one instance where one of the makers of this paper had \$16,000 of it in this local savings bank, and how the maker of that paper was sued for a note of about \$3,000 by one of this witness's brothers from North Carolina, and in reply he stated that he, the man who signed that \$16,000 of notes which were at one time found in one of these savings banks, was not responsible for that paper, but that the witness's brother, who was running a bank in North Carolina, was really responsible, and that they had been mixed up in the discreditable and disgraceful failure of three or four banks in the South, and that when these facts were coming to light this Wilmington brother of this Washington witness appealed to him to sign notes up to the extent of about \$100,000, which he plastered around among various banks or individuals as valid, binding obligations, and which he then came forward and repudiated, and said that he was requested by the Wilmington brother of this discredited witness to sign them to save them from disgrace.

When the comptroller's office had obtained a copy of that affidavit making those allegations, which were printed in the record, there was a hurrying to and fro, it seems, down there in the Carolinas, and this kinsman of the local Washington banker sent forward a statement, requested permission to amend his bill, withdrawing the grave and serious charges which he had made under oath against the Wilmington official, who was a director in the local bank of which his brother, Wade Cooper, was president.

It is a question for you to decide as to how you desire to regard him, whether as a willful perjurer, or as an unwilling witness against the discreditable and disgraceful operations of his kinsman.

This local banker himself I have shown you has been guilty of transactions and operations which I regard—and I believe which any Comptroller of the Currency who ever occupied that post would have regarded—as disgraceful, if not fraudulent. I have no hesitation in stating to the committee that, in my judgment, men of that character and type have no place in the banking business.

My attitude toward that official is not governed in any way by personal feelings. I had never heard of him until I came to Washington, nor had I ever seen him, perhaps, more than two or three times, until this controversy arose. He has told you that until last October, when the national-bank examiner insisted upon a reformation of conditions in the local banks, his relations with the comptroller were entirely pleasant, and he also went on to say in October last, that as far as the national-bank examiner against whom he brought those charges is concerned, he regarded him as an excellent examiner, except for what he claimed to be his personal prejudice against the head of the bank.

Now, gentlemen, I ask your attention to these facts: The condition of the national-banking system, the administration of this office for the past five years or more on the one hand; and the complaints which have been made against it if any. I do not know

of any well-founded complaints made against this office by responsible men which can be substantiated or corroborated.

You were good enough, Mr. Chairman, to say to me a few days ago that you would give me the opportunity of answering or explaining or replying to any charges or complaints of any sort that might reach this committee privately, secretly, or otherwise.

The CHAIRMAN. So far as they came to my knowledge as chairman.

Mr. WILLIAMS. So far as they came to your knowledge; yes.

Senator PENROSE. What did you say, Mr. Chairman?

The CHAIRMAN. So far as they came to my knowledge.

Senator PENROSE. I have received a vast number of complaints about the comptroller's office from Pennsylvania. I suppose three-fourths of the bankers in the State have written to me complaining.

Mr. WILLIAMS. I should be very happy, Mr. Chairman and gentlemen, to be given the opportunity of answering any complaints that have been made against the comptroller's office. I do not think it is fair, with all due respect, for the committee to act upon ex parte complaints which are not answered.

Senator PENROSE. These complaints are so unanimous they are impressive. I have not gone into them at all. Most of these gentlemen do not want their names known because they fear that things might be uncomfortable.

Mr. WILLIAMS. How could they be uncomfortable to them?

Senator PENROSE. I do not know. I am not a banker, and do not know.

Mr. WILLIAMS. I do not believe, gentlemen, that any member of this committee is willing to condemn a man on an ex parte statement on charges of which he is entirely ignorant. I am not willing to believe this committee would be governed in that way. It would be subversive of the most elemental principles of justice and fairness. But we have seen the character of some of the complaints, the hollow, shallow, mocking character of some of the complaints that have been filed with your committee.

I have pointed out to you the resolutions which your committee was informed were passed by the clearing-house association of Winchester, Ky., and laid before this committee in February by an eminent, distinguished former Member of the Senate, and when he was asked what clearing house passed that resolution he declined to say. A member of the Senate committee told me subsequently that he understood that the resolution came from Winchester, Ky., and I have shown you that a few weeks later a national bank examiner wrote to me and stated that he had had occasion to examine the national banks of Winchester, Ky., a few days before, and that in the course of his examination he called for the clearings in order that he might check them up with the clearing house, and the officer of the bank to whom he made the application became very much confused.

He said, "We have no clearing house, and never had one."

The bank examiner said, "Have no clearing house? Who passed that resolution which was presented before the Senate condemning the Comptroller of the Currency?"

His confusion increased. He said, "So and so," naming an officer, or the teller, in the other national bank of the city—"He and I

got that up"—a resolution which purported to be a resolution of the clearing house, and was sent on to Washington as a resolution of the clearing house, which did not exist, and which had never existed. He said, "I got that up. I am tired making out those reports for Washington. I am a Republican, anyhow."

That was his excuse to the national-bank examiner, whose evidence is in this record. And there is a fake resolution of the Winchester clearing house laid before you for the purpose of influencing your judgment and your opinion, by two petty officers of national banks there, and when inquiry was made of the president and directors about that, they expressed their deep regret that anything of that sort should have happened, and said that they knew nothing of it at all.

The CHAIRMAN. You do not mean to imply that the Senator who introduced that resolution knew that it was a fake?

Mr. WILLIAMS. I know nothing about that. I told you in the previous hearing that the same Senator who introduced that resolution had informed your committee that he had never received a letter or word commendatory of the Comptroller of the Currency, and that subsequently, when it was discovered that I knew of correspondence which he had had in Lexington, Ky., with a leading banker of that city, the president of the local bankers' association, he said, 'Well, I was going to mention that letter,' but he never read the letter to the committee, and that letter was read to the committee subsequently by me, and inserted in that record, in which that leading banker, a man who had had 40 years' experience in the banking business, informed the Senator that he had been in the business 40 years, and that he had seen many comptrollers come and go, but that he was never aware of an administration which had been more successful than the present one. The letter was commendatory throughout. He said that his bank had never been put to any hardship, and that he welcomed the examinations which were being made, which were calculated to improve and strengthen their position. And he said, "In order that you may see that I am not governed by partisan motives, I am a rock-ribbed McKinley republican, and always expect to be. But I think it is only fair to the comptroller that I should write you as I am doing."

When the Senator stated to your committee that he had never received or heard a commendatory word about the comptroller he was in possession of that letter, freshly received. I mention the Winchester resolutions as indicative of the secret propaganda against the comptroller's office.

Without boasting, I desire to say that the comptroller's office is in receipt of hundreds of letters from all over the country, from Republicans and Democrats alike, regardless of political affiliations, commending and approving in the highest terms the methods and policies which have been instrumental in achieving the results which have been obtained in the past five or six crucial years.

I have mentioned, I think, the only national bank officer who has appeared nolens volens before this committee, and whose testimony has been shown to have been thoroughly incorrect on the one hand, and I have referred to the only other bank official who has appeared before this committee, and I pointed out to you the character of the man and the basis for his complaints.

Now, the very valuable time of this committee has been consumed largely in the past in listening to a rehash of the old complaints in regard to the United States Trust Co. transaction in 1913; the Riggs case the following year. Really, gentlemen, I begrudge on your account the time you have had to give to the further ventilation of the discussion of the United States Trust Co. matter, which has already been reviewed and passed upon by two committees of the United States Senate in connection with my nomination.

I also regret that you should have to review the Riggs Bank equity case, which was overwhelmingly decided in favor of the Secretary of the Treasury and the Comptroller of the Currency in the decision handed down by Justice McCoy, of the Supreme Court of the District of Columbia, first in the interlocutory decision, and then again in the lengthy decision which was rendered about a year later.

Mr. Darlington, of counsel for the Riggs Bank or some of its officials, was summoned, I understand, by this committee to testify recently, and he made a very plain, clear statement before your committee, which was mainly in accordance with the facts of the case, with the exception of certain criticisms which I have already pointed out, and which have gone into the record. As far, however, as any criticisms relating to the aspect of the case which Mr. Darlington discussed, or which Mr. Hogan discussed in the closing portion of his testimony are concerned, they have already been completely answered by Mr. Untermeyer, and by the testimony which I have heretofore given. So I forbear to take up your time in further discussion of those aspects of their case.

I do not know how far it may be the desire of the committee to permit Mr. Hogan to continue his statement before the committee, but I do venture to express the hope that if he comes before you again you will induce him to limit his statements to a narration of facts and not proceed on the assumption that he is a competitor in a contest, where, up to date, he has clearly shown himself to be entitled to the first prize, with Ananias coming later on for honorable mention.

Mr. Hogan's aim, as far as I have been able to discover, has been, as I have heretofore told the committee, apparently to becloud and swamp the record with a conglomeration of inaccurate statements and untruths, and these I have endeavored, at the cost of taxing the patience of your committee, to point out in much more detail than it seemed to me to be necessary. If Mr. Hogan desires to resume his statements before the committee, I am quite prepared to answer immediately and promptly any statement or allegation of any sort which he may make which may reflect directly, remotely, or in any way upon the fair, impartial, and correct discharge of the official duties of the comptroller, or upon his conduct in office in any respect.

I should like, Mr. Chairman, before I take up the introduction into the record of several other letters in this correspondence, to say a word or two in regard to the charges which were made in the Riggs case of conspiracy or discrimination or malice. The decision of the judge was that there was no evidence anywhere of malice on the part of either the Secretary of the Treasury or the Comptroller of the Currency.

On page 139 of the annual report of the Comptroller of the Currency for 1916, there is published the interlocutory decree of Justice McCoy, of the Supreme Court of the District.

The CHAIRMAN. Has that decree been put into the record in full?

Mr. WILLIAMS. I think it has. I only want to read extracts from it.

The CHAIRMAN. I think it had better go in if it has not gone in already.

Mr. WILLIAMS. Very well. The judge says:

But on the other branch of the case in regard to granting any pendente lite relief in regard to these deposits, or in regard to the reserve agency end of the situation, I say what I said before, that the case, such as it is, made out by the bill, assuming that any was made out by the bill for the purpose of an injunction, has been met overwhelmingly, in my opinion, by the proofs which are here in the form of affidavits, and I shall deny that relief pending the action.

Mr. WILLIAMS. Then, the judge goes on and says:

I was struck, when I first read the bill, by the allegation on page 14 of the printed bill here, which I called attention to the other day:

"Plaintiff further avers that prior to December, 1913, the defendants McAdoo and Williams had, in ways which will be fully detailed in the evidence to be taken in this suit, openly and publicly manifested their personal malice toward certain of the plaintiff's officers."

I wondered what that meant, and I do not know to this minute what it means; but, of course, there is an absence not of evidence but of the statement of any ultimate facts that would sustain that allegation in the bill; and when I came to read this Tribune article, which appears there, and the incident which occurred in Mr. McAdoo's office, whenever it was, coupled with that, if I were obliged to resort to that I should say that perhaps it was shown that the malice was the other way.

Those are the words of Chief Justice McCoy, of the Supreme Court of the District of Columbia. Continuing he says:

In view of the absence, as I say, of any statement here as to backing up this general allegation, and coupled with what is in there, I do not see how anybody can fall reasonably to reach that conclusion, and that if there were bad blood—I do not know as to that—if there is anything between the parties, there is nothing here to show that the two defendants were the aggressors in the matter.

That, gentlemen, is the language of the judge deciding the case.

Then, again, I do not think it is necessary here to decide whether there has been any arbitrary exercise of power, or exercise of arbitrary power, in regard to this question of the reserve agency or any threat of an exercise of arbitrary power. It seems to me, on the record that is made here before me now, that the Government officials would have been remiss if they had consented to permit the bank to act as agent for a new applicant bank.

That, gentlemen, I repeat, is the language of the judge. The comptroller would have been remiss if he had permitted a bank, conducted as that was at that time, to continue to act as reserve agent for other banks.

Because I think, for the purpose of this motion, always—now, I am not passing on the ultimate merits of the case—there is evidence here of persistent violations of the law, and that they began, not with Mr. Williams' incumbency of the office—and that has another bearing, perhaps, on the question of what animated Mr. Williams—but they began before he came there, and there is evidence that they are continuing until this day; and even if the comptroller is wrong about what kind of a bank ought to have Government deposits (namely, a so-called commercial bank or stock-exchange bank), even if those features were not in there, the other features of violations of law are in there; and I should say that he was quite right in determining to take out those deposits, or at least to say that there should not be any further selection of this bank as a reserve agency.

There is a complete, and I should say convincing, statement from the judge, with the evidence before him, as to whether the comptroller's action in that particular case was right or whether it was not.

While it may have nothing to do with the law of the case, I suppose that all judges have some right to consider matters of banking policy when they are called upon to decide legal questions. I should say that the policy of not having large deposits in so-called stock-exchange banks, as compared with the amount of deposits in commercial banks was an absolutely good and sound policy, and the fact that Congress thinks so is now embodied in the Federal reserve act.

This question about whether or not stocks are good, and whether or not dealing in stocks is any different from dealing in oats and grain and steers and hogs and that kind of thing, is an argument that does not need to be answered.

I wanted to call your attention, Mr. Chairman and gentlemen, to that particular portion of Justice McCoy's interlocutory decision, dealing with the question of malice and the propriety of the department's action in declining to designate at that time, under those conditions, the Riggs Bank as a depository for other national banks. But, as I understand it, that entire interlocutory decision will be printed in this record.

Now, gentlemen, I ask your indulgence while I read and comment as briefly as possible on the decision of the Comptroller of the Currency on the application of the renewal of the charter of the Riggs National Bank, which was delivered to the bank on June 21, 1916, which decision, I believe, has not up to this time been inserted in the hearings before this committee, although I think it was introduced in the previous Senate.

TREASURY DEPARTMENT,
Washington, June 21, 1916.

The RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: On the 23d of May, 1916, you filed an application for an amendment to your articles of association so as to continue the life of your association until June 27, 1936. This application, if granted in the present form, would extend the life of the corporation for 20 years and one day, which the comptroller has no power to grant, as the law now permits an extension of 20 years only. The application should be amended so as to provide that the association shall continue until the close of business on June 26, 1936, instead of June 27, 1936. The application, to be legal, should also bear a 10-cent internal-revenue stamp, as required by law. I shall assume for the purposes of this decision that the application has been amended as thus indicated, and that the 10-cent internal-revenue stamp has been affixed.

Section 3 of the act of July 12, 1882, provides:

"That upon the receipt of the application, and certificate of the association, provided for in the preceding section, the Comptroller of the Currency shall cause a special examination to be made, at the expense of the association, to determine its condition; and if after such examination or otherwise, it appears to him that said association is in a satisfactory condition he shall grant his certificate of approval provided for in the preceding section, or if it appears that the condition of said association is not satisfactory he shall withhold such certificate of approval."

The law, as you see, Mr. Chairman and gentlemen, clearly provides that the examination must be made before the comptroller passes upon the application for renewal of the charter. Mr. Darlington has been disposed to criticize the comptroller for making that special examination. I merely call your attention to that in passing. [Continuing reading:]

The word "condition," as it has been construed by my predecessors, and by the Supreme Court of the District of Columbia in the decision rendered May 31, 1916, in the suit of the Riggs National Bank *v.* the Comptroller of the

Currency et al., comprehends not only the solvency of the bank, but as well the character of the business done by the bank, and the management and the record of the bank with respect to observance or violations of law by its officers.

It is the duty of the comptroller to determine such "condition" with reference to all of these factors or elements, and this necessitates a consideration of the bank's record as well as of its solvency and financial resources.

Acting upon this conception of my duty, I find that the present officers of the association (who, with the exception of Mr. H. H. Flather, who resigned October 1 last, have been its officers almost since its organization), have conducted the business of the bank during almost the entire period of its existence in persistent violation of the national-bank act and in disregard of the regulations and frequent admonitions of the comptroller's office.

The same H. H. Flather who was the cashier of the bank, and who was guilty of those gross and flagrant violations of law and of the most elementary rules of ethics in connection with the execution of orders for the bond and stock purchases by the customers of the bank, as has been explained in previous testimony given. [Continuing reading:]

Violations of law and unlawful practices.

I now ask your attention, gentlemen, to the brief summary which was embraced in this decision of some of the violations of the law which the national-bank examiners encountered when the examiners made examinations of that bank and which were rendered very difficult by the obstructions which were placed in their way and the devices to conceal and hide real conditions by the bank's officials. [Continuing reading:]

Some of its violations and irregular practices have related to:

The making of real estate loans contrary to law;

Investments in stocks contrary to law;

The frequent and persistent failure to maintain reserves, as required by law;

Excessive and unlawful loans;

The carrying on of a stock-brokerage business either directly or through the agency of a partnership composed of the chief officers of the bank within the bank itself, under the firm name latterly of Glover & Flather, or Flather & Flather, and in earlier years of Glover, Hyde, Johnston and others.

The maintenance of private telephone and telegraph wires with stock-brokerage offices.

I remark here that the national bank examiner discovered that there were three separate private wires connecting the bank and its executive offices with stock offices in different cities. [Continuing reading:]

The making of dummy loans for benefit of officers of the bank.

And right there, gentlemen, I pause to explain that the suit arose in connection with the fine of \$5,000 assessed by the comptroller upon the bank for its refusal to divulge information in regard to the dummy loans and other loans made to the bank's officers and their wives and families during a period of years. [Continuing reading:]

The lending of large sums of money (oftentimes when the bank was running behind in its reserve requirement) to the president, vice presidents, and cashier of the bank, as well as to many bookkeepers, tellers, clerks, and other employees of the bank, contrary to what this office regards as proper and legitimate methods in carrying on a banking business under the requirements of the national banking act.

Right there I remark that Examiner Reeves, who has been referred to by Mr. Hogan in his testimony as a witness for the defense, or

for the Riggs National Bank's officers in the perjury case and whose methods of examination were so praised by Mr. Hogan, had reported to the comptroller's office that at one of his examinations which had been made, I think, in May, 1906, six or seven years before my investigations, he had found both vice presidents of the bank, 4 or 5 of its tellers, and 34 other officers and clerks and employees borrowing the bank's funds right and left to the extent of more than \$350,000 at that time, principally upon speculative securities on which they were borrowing. [Continuing reading:]

Refusal to furnish reports as required by the comptroller's office; and
Denial of the authority of the comptroller to require information about the bank's affairs.

Its violations of law and irregular practices began shortly after the organization of the bank in 1896 and continued throughout the life of the bank until the summer or autumn of 1914, when they were discontinued because of the action of the comptroller's office.

I think, gentlemen, that the action of the comptroller in doing away with those irregular and unlawful operations was perhaps the most beneficial order that was ever carried into effect with relation to that particular bank by the comptroller's office. [Continuing reading:]

I shall not attempt to go into great detail in these matters, as they have been set out quite fully in the answering affidavits filed by the Secretary of the Treasury and the Comptroller of the Currency in the Supreme Court of the District of Columbia in the suit brought by the Riggs National Bank in April, 1915, to test the powers and authority of the Comptroller of the Currency, but it is necessary that I should advert to them in a general way. Copies of said affidavits and a synopsis made by the Department of Justice of the opinion rendered by Mr. Justice McCoy, as well as the opinion itself, are attached hereto as Exhibits Nos. 1, 2, 3, and 4, respectively, and are made a part of this decision.

STOCK-BROKERAGE BUSINESS.

National-bank examiners reported to this office, as a result of their investigations in May, 1914, that the principal officers of the Riggs National Bank were conducting an active stock brokerage and real estate loan business within the bank and were engaged in speculations for their own account, for which they were borrowing large sums of money from their own bank, from other local banks, and from the New York correspondents of the Riggs National Bank. It was established that the cashier of the Riggs National Bank, Mr. H. H. Flather, who resigned at the time that the indictments for perjury were returned against him and other officers of the bank, had a private telephone line from his desk in the bank to the office of the now defunct stock-brokerage firm of Lewis Johnson & Co. It was disclosed that Cashier Flather traded, in some instances, on the orders of customers to his personal advantage, reporting sales to customers at prices less than those at which their securities had actually been sold, and converting the difference to his own use.

That has been established by evidence, as the district attorney has informed your committee at the time he appeared before you a few days ago. [Continuing reading:]

Concerning these speculative transactions of Mr. H. H. Flather, National Bank Examiners Sherrill Smith, chief examiner of the Chicago district, and James Trimble, examiner at Washington, as a result of their examinations of the bank, submitted under date of October 2, 1915, a report from which the following extract is taken.

This is a report of the national-bank examiners:

"We find that H. H. Flather, from June 24, 1909, to March 7, 1914, had a personal account with Lewis Johnson & Co. which was speculative in character, in which he usually carried a debit balance on which interest was charged, and which for a long period securities were inadequate. That from February 29,

1908, to November 20, 1909, he carried an account as 'Henry Hepburn,' which was speculative to a lesser degree;"—

Right there, gentlemen, I call your attention to the cashier of the Riggs National Bank carrying a speculative account with this brokerage house under an alias, under an assumed name to conceal his operations—"Henry Hepburn." He was ashamed to do it under his own name in addition to the account he already had there, apparently, so he resorted to this device—"Henry Hepburn." [Continuing reading:]

"which was speculative to a lesser degree; and that so far as our investigations went, his transactions through the bank accounts with Colgate & Co. and Lewis Johnson & Co. (see this report) were most reprehensible, if indeed they are not held in some instances to be criminal."

That was the cashier of the Riggs National Bank. [Continuing reading:]

"We find that his entire dealings were conducted in a manner to prevent discovery; he maintained no balance, claiming he received and paid cash."

He used the credit and the resources of the bank, however, in those operations, and the purchases and sales of stocks through a long period of years were to a considerable extent being carried in the bank's drawer or till as cash and were nothing but the speculative obligations of officers of the bank or of their speculative clients, yet they were being counted as cash and being reported to the Comptroller's Office as cash in drawer. I have called your attention to the last report made prior to the report made by Examiner Trimble in May, 1914, when those speculative securities carried in cash amounted to about fifty or sixty thousand dollars. I think it was in November, 1913, that among other things some American Can was being carried in that cash conveniently for Mr. Glover, president of the bank. I think they explained that he was temporarily away for a few days and that he took it up when he returned. Whatever the explanation may have been in his case, we know it was being done continuously from day to day, from week to week, from month to month, and from year to year, and that false statements were being rendered with regard to the bank's condition.

The CHAIRMAN. Are you referring now to H. H. Flather, the cashier?

Mr. WILLIAMS. I am referring—I referred to the general habit of the bank in carrying securities in their cash drawer, and that H. H. Flather was among those who did that. [Continuing reading:]

"He protected himself from discovery of his deals with Lewis Johnson & Co. by having the advices come to the bank 'in care of Cooke,' and ran but a few of his transactions through his account."

Not through either of his two accounts, the "Henry Hepburn" fake, alias account, or through his H. H. Flather account. He had two methods, one through the cash account, and the other through "Henry Hepburn." [Continuing reading:]

"He sold short through the bank's account.

"He advised customers of a credit before the stock was sold, and later sold the stock and took the profit, or made good the loss."

This report of the examiners showed how H. H. Flather, sometimes having orders to buy a certain stock, bought the stock ordered by the customer, and then, if it should advance, would sell the stock so purchased and take the

profit himself, and would then buy the stock again at a higher price for the customer.

Who was thus forced to pay an additional price.

The CHAIRMAN. You went into that yesterday pretty thoroughly, Mr. Williams. If you wish to repeat it, I suppose it is all right.

Mr. WILLIAMS. I took the liberty of making a few comments, as these distinguished Senators were not with us yesterday.

The CHAIRMAN. I know, but if we continue the hearing on that basis we never would finish.

Mr. WILLIAMS. I see; yes. [Continuing reading:]

Or, that, having an order to sell a certain stock he would sell on the customer's order, and then if the stock should decline he would buy it in, and later sell again at a lower price than the price at which he originally sold, but accounting to the customer at the reduced price, taking for himself the profit between the price at which the customer's stock was first sold and the price at which he bought it in, the customer losing the difference.

The examiners also stated that H. H. Flather sometimes bought the securities through the Riggs National Bank account with Lewis Johnson & Co., but making no deposit against such purchases, and then sold the securities at an advance, appropriating the profits personally.

Vice president of the Riggs National Bank, W. J. Flather, brother of the cashier, H. H. Flather, carried two speculative accounts on the books of the brokerage firm, Lewis Johnson & Co., one in his own name—

That is the vice president of the Riggs National Bank. [Continuing reading:]

one in his own name and the other in the name of a member of said firm. Orders for the purchase and sales of securities were given by him to Lewis Johnson & Co., and then charged to the account of the firm members as "agent," Vice President Flather being the real principal. Another vice president, Mr. Alles, carried his active speculative account with a New York stock-brokerage house, with which the bank also had private-wire connection, the wire also connecting with the bank's New York correspondent.

The practice of officers of a national bank speculating in stocks and borrowing money from their own bank in order to carry on such speculations is reprehensible in the highest degree and can not be condemned too severely. Numerous junior officers, tellers, bookkeepers, and clerks are also shown by the record to have been borrowing large amounts of money from the bank to carry speculative accounts. Such practices have been the fruitful source of bank failures throughout the country, resulting in grave losses to depositors and stockholders, bringing disaster to the bank officers themselves and serious injury to the communities where such bank failures have occurred.

Gentlemen, I do not believe there is a member of this committee who will dissent from those general expressions in the comptroller's decision to the Riggs Bank. [Continuing reading:]

Aside from the stock operations of said officers of the bank the records show that the bank itself, in its own name, carried on a brokerage business in stocks, contrary to law. This business was discontinued only recently as a result of the action of the present Comptroller of the Currency. It was proven in court that the bank, in its own name and on its own credit, had more than 2,500 transactions in stocks and bonds with the stock-brokerage firm of Lewis Johnson & Co. alone.

Gentlemen, Mr. Adkins in this testimony before you showed conclusively that the bank was conducting an active bond and stock brokerage business, and he also read to you copies of advertisements appearing in local Washington papers over the signature of the Riggs National Bank relative to their bond and stock business and inviting the patronage of the public, to show that the bank itself admitted that it was doing that business, although they would at one time admit and again deny. I have shown yesterday the contra-

dictory statements made by the bank in regard to this matter. But right here I ask your attention to a letter which the Riggs National Bank on November 19, 1913, the last examination of the bank before I became Comptroller of the Currency, wrote to the Acting Comptroller of the Currency, Mr. Kane.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., November 19.

ACTING COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: We are in receipt of your letter of the 11th instant calling our attention to various matters in connection with the report of the examination of this bank, which was completed by the examiner October 23, last.

Then, it goes on and refers to the reserve deficiency and various things. I want especially, though, to direct your attention to the closing paragraph on page 85 of the correspondence with the Riggs National Bank, volume 3, where the Riggs National Bank in its communication, signed by Charles C. Glover, James M. Johnson, Thomas Hyde, William J. Flather, M. E. Ailes, Frank C. Henry, Joseph Paul, Henry H. Flather, J. R. McLean, H. Hurt, C. I. Corby, Robert C. Wilkins, H. Rozier Dulany, F. S. McKenney, and R. Ross Perry—observe that these are the officers and directors of the Riggs Bank at that time, and this is their statement to the Comptroller of the Currency:

With respect to the statement of the examiner that it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for the most part our purchases for customers—

That does not say "my purchases for customers," and signed by Mr. Glover; nor does it say "our purchases for customers," and signed only by Mr. Glover and the two Flathers; but it says "our purchases for customers," and it is signed by all the officers and directors of the bank who were available to attach their names. In other words, this is a letter from the bank itself, not from the individual officers, who were conducting the so-called stock-brokerage business in their own name and in their own account. It says:

You are advised that for the most part our purchases for customers are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once, and we have met with some small delays in completing orders, as well as in charging purchases to accounts.

We have done so; that is, the directors, the officers and directors of the bank, not Glover and Flather. [Continuing reading:]

The item above mentioned was largely caused by the absence of one of our important customers in Jamaica at the time his order was executed. In the future we will endeavor to avoid carrying these items in cash by making prompt charges against customers' accounts.

Respectfully,

CHAS. C. GLOVER.
[And others, directors of the bank.]

They add a footnote:

This letter bears the signature of all the directors with the exception of three, namely, Admiral Willard H. Brownson, who is abroad, Mr. F. A. Vanderlip, who is in California, and Mr. S. W. Labrot, who is in New Orleans.

Could we desire a more unequivocal admission on the part of the bank that they were conducting a bond and stock brokerage business supplemented by their advertisements in the Washington papers? And yet they came forward with denials. One day they say one

thing and another day they say another thing. That is the difficulty we had in our examination.

I called your attention yesterday to how the officers of that bank had certified to the national-bank examiner and the assistant that the commissions were all taken by themselves, personally appropriated, and that they paid the income tax on them. A little while before they said they were put in some account from which the bank ultimately got the benefit.

As I stated yesterday, this correspondence was on a very small matter and I would have been very brief, would have been adjusted and immediately closed up if the bank had been willing to make prompt and correct statements to the national-bank examiner and the comptroller's office. We would have had none of that long-protracted correspondence, but it was on account of the contrary statements in our effort to find where the truth was that the thing dragged along, and, finally, upon the bank's refusal to let us have the information in detail, as we thought should be done. [Continuing reading from comptroller's decision:]

LOANS TO OFFICERS AND EMPLOYEES.

While the new law does not forbid the making of loans to officers and employees of the bank for speculative purposes, nevertheless the making of such loans has been frequently condemned by the Comptrollers of the Currency as contrary to sound banking practice and the ethics of good banking. Many bank failures have resulted from the excessive borrowing of the bank's funds by officers of banks. Such officers owe a solemn duty to depositors not to use the funds of the banks to their personal advantage in such a way to expose the money of depositors to undue risks or to prevent the bank from performing its full duty to the community. The officers have an advantage over every other person dealing with the bank, and this of itself imposes upon them a higher duty and a greater responsibility. This practice is particularly reprehensible when dummy loans are made in the interest of officers of a bank. There were frequent instances of such dummy loans in the Riggs National Bank.

The direct and indirect loans reported under oath by the bank as made to C. C. Glover, president; W. J. Flather, vice president; M. E. Ailes, vice president; and H. H. Flather, cashier, from July 1, 1896, to July, 1914, were:

C. C. Glover	\$2, 534, 377
W. J. Flather	1, 258, 010
M. E. Ailes	584, 857
H. H. Flather	1, 282, 698

From this it appears that there was borrowed from the bank in 18 years by its four principal officers, President Glover, Vice President Flather, Vice President Ailes, and Cashier Flather, a total of \$5,659,850, exclusive of large amounts loaned to wives, brothers, sons, and daughters of some of these officers. Besides the loans to principal officers, the junior officers, tellers, bookkeepers, and other employees sometimes borrowed heavily. For example, loans made by the bank in the two years, 1904 and 1905, to its ladies' teller, paying teller, and note teller, and one of its bookkeepers exceeded in the aggregate \$466,000, largely on speculative stocks. The above loans are all in addition to large loans made during the period to directors of the bank, other than officers, and to other junior officers and employees. Some of the above loans may have been renewals of other loans, and may have been carried through the books several times, and therefore the totals may to some extent be subject to adjustment, although some of the loans ran several years at a time.

In reply to Mr. Hogan's criticisms on that point, I have stated at previous hearings of the committee that such renewals as those to which he refers amounted to a comparatively small proportion of the total loans and that the office in stating that had not, as he assumed or attempted to assert by his statement to your committee,

magnified it by three and one-third times. [Continuing reading:]

But in any case they exhibit a consistent policy, or practice, of large and dangerous proportions, which should be condemned by all who believe in sound and safe banking. It is true that after the present Comptroller of the Currency discovered this condition of affairs, the loans to all officers in the bank were taken up or transferred to other banks in the summer of 1914. Since that time the practice has not been resumed, and it ought not to be resumed at any time in the future.

Right here I think I should call your attention, gentlemen, to the fact that while the loans of the bank's officers with the Riggs Bank were taken up or apparently paid at the Riggs Bank, they were merely transferred from the Riggs Bank to other banks under the supervision of the Comptroller's Office, to banks to which the directors in the Riggs Bank were influential factors, and to two local trust companies. So that during these examinations I think that four or five officers were found to be borrowing either \$700,000 or \$750,000 from these other banks with which they were affiliated and connected, or with which some of them were connected as directors or otherwise, and the two local trust companies.

The CHAIRMAN. Mr. Williams, you remember that you went into that in extenso yesterday

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. Do you think you will be able to complete by 12 o'clock what you wish to state to-day?

Mr. WILLIAMS. I will try, Mr. Chairman.

The CHAIRMAN. Yesterday you thought you could complete your statement in an hour and a half. I do not wish to limit you in any way that is unreasonable.

Mr. WILLIAMS. I regret very much that I have to tax your patience as I am doing.

The CHAIRMAN. You will bear in mind that this is all to be printed in the record and that record is to go to each Senator. If you undertake to repeat each day what you said the preceding day because some new Senator is appearing before the committee, it will be your fault, and not the fault of the committee, if we do not complete this hearing.

Mr. WILLIAMS. While discussing loans to officers and directors I simply want to call your attention to the statements in connection with those dummy loans made by the vice president of the bank when he was under examination by the bank examiner and was asked:

Did or did not the board of directors know the true borrower?

To which he replied:

So far as I know they only knew the name of the person who gave the note.

On page 153 of volume 2 of correspondence, which has already been referred to, one of the junior officers or tellers of the bank, Mr. Nevius, whose name had been used in connection with dummy loans, stated in reply to a question from the examiner:

We have had these records of loans of that sort carried from one book to another for a good many years. I have been here 17 years.

The bank examiner then presently asked Mr. Nevius:

There is nothing on the records that would enable you to state positively? They were all recorded in your account as loans to you, whether the proceeds went to somebody else or not.

To which Mr. Nevius replied:

They were.

Without encumbering the record at this point I would refer to the list presented at a previous hearing of the loans to the two vice presidents and bookkeepers and tellers and 34 other officers and employees of the bank on May 22, 1906, as reported by National Bank Examiner Reeves, such loans at that time aggregating over \$350,000. [Continuing reading from comptroller's decision:]

BORROWING BY OFFICERS WHEN RESERVES WERE DEFICIENT.

The records of the bank show that President Glover borrowed frequently from the bank when the bank was below its requirements, or during the 30 days preceding calls for report, when the bank reported that it had during such period averaged short for 30 days in the legal reserve required. Banks were expressly prohibited by section 5191, United States Revised Statutes, from making any loans when there was a deficiency in their reserves. The records show that between August 4, 1906, and March 4, 1914, Mr. Glover borrowed 24 times from the Riggs National Bank on days when the bank's reserves were short; or, in the 30-day period when the bank had reported averaging short in reserves. These 24 loans aggregated \$412,500.

A bank when short in its reserves usually declines to lend money to other customers. At least, that is expected of a bank when it is short in ordinary times; but Mr. Glover could get money from the bank, it appears, whenever he wanted to, whether it was short or not in its reserves, as shown by the record. [Continuing reading:]

During the same period and under the same circumstances as to deficient reserves Vice President Flather borrowed from the bank over \$210,000 on 20 loans; former Cashier Flather borrowed from the bank over \$50,000 on six loans; and Vice President Alles got 29 loans from the bank on his own note, or jointly with others, for amounts aggregating over \$200,000. I deem it my duty to bring out the foregoing facts in order that it may be clear that this office does not approve the practices to which I have referred and to enjoin upon the directors of the Riggs National Bank the importance of preventing a repetition of such practices in the future.

This office has no desire to do injustice to any bank. Its single aim is to promote sound, honorable, and safe banking, and to use the powers which the law has conferred upon it for the protection of the legitimate banking interest of the country and for the prevention of those practices which, throughout banking history, have brought injury and disaster to innocent depositors and to the business communities where bank failures have occurred.

No national bank need have the slightest fear of any conflict or trouble with the comptroller's office so long as it obeys the law and observes the rules of sound and safe banking; but no national bank, however big or little, and no officer or stockholder, however influential or important, is above the law. The comptroller must enforce the law and the rules and regulations of the comptroller's office impartially and unswervingly, whether the bank be big or little and whether or not the officers and directors be important and influential.

The records show that the directors of the Riggs National Bank have not always been as observant of their duties as the law provides and their oath of office requires. They have not always shown themselves sufficiently familiar with the transactions of the officers of the bank. If the directors had been more careful in discharging their duties many of the practices of the bank which have aroused the criticism of the comptroller's office could not have occurred. As an instance of the negligence to which I refer, one of the directors of the bank made oath for five successive years, from 1910 to 1914, that he was the owner in good faith and in his own right of 10 shares of the stock of the bank standing in his own name on the books of the bank—

I think in referring to that testimony I was overconservative and referred to it as about three years, but the evidence shows it was for five successive years.

The CHAIRMAN. Was not your report on that printed in the record of the February hearings?

Mr. WILLIAMS. You mean of the decision?

The CHAIRMAN. No. That is your report you are reading now?

Mr. WILLIAMS. That is the decision on the renewal of the Riggs Bank charter.

The CHAIRMAN. Whose decision?

Mr. WILLIAMS. The decision of the Comptroller of the Currency.

The CHAIRMAN. That is what I supposed.

Mr. WILLIAMS. Yes.

The CHAIRMAN. Did not that go into the record in February?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. So you see the committee—

Mr. WILLIAMS. It has not been introduced in the present hearings.

The CHAIRMAN. Of course, you understand that this is all one matter, and the hearings were printed in February, and that the committee will be provided with copies of those hearings.

Mr. WILLIAMS. I thought, if it was not asking too much of the committee, that I would like to make a few observations on the decision as I went along, especially in view of the fact that some of the statements have been criticized as I thought unfairly by certain witnesses who appeared.

The CHAIRMAN. Very well.

Mr. WILLIAMS (continuing reading):

and that these shares had not been hypothecated or in any way pledged as security for any loan or debt; and yet each time that he made this solemn oath the said 10 shares of stock were pledged for a loan, and continued to be pledged for a loan during the whole of said five years. I accepted the explanation of this director that he made these oaths without reading them, and without realizing that he was violating the law, but it is evidence of the serious carelessness of which I speak.

UNLAWFUL STOCK INVESTMENTS.

As far back as 1898 Comptroller Dawes wrote you as follows:

"The bank holds a large amount of stocks which were purchased for investment.

"You are respectfully advised that the United States Supreme Court decided during the October, 1896, term, in the case of *California National Bank v. Kennedy* (167 U. S., 362), that—

" 'The power to purchase or deal in stock of another corporation is not expressly conferred upon national banks, nor is it an act which may be exercised incidentally to the powers expressly conferred. A dealing in stocks is consequently an ultra vires act, and being such, it is without efficacy.

" 'All shares of stock purchased for investment now owned by the bank are held in plain violation of law, and must be disposed of without further delay.'"

That letter was written to the bank by Comptroller Dawes. [Continuing reading:]

Since that date and until very recently you have continued to be a holder of stocks in violation of law. May 1, 1902, the comptroller's office advised you of a decision of the Supreme Court which declared that stocks could not lawfully held as investments, and directed that the stocks held by you should be disposed of. Similar letters directing the sale and disposition of your stock investments continued to be written after every examination up to June, 1906, but were ignored. You then transferred the stocks held by you to Joshua Evans, jr., then a clerk, now a cashier in the bank, who gave his notes

representing the market value thereof, and the stocks were by this means carried in loans and discounts until discovered by one of the bank examiners, whereupon they were put back in "stocks, securities, etc.," and subsequently transferred into the Glover and Flather account, where they remained until finally disposed of a few months ago, or until after the filing of your injunction suit.

I call your attention to that as an instance of the disingenuousness of the bank in replying to inquiries from the comptrollers. They advised the comptroller's office that the stock had been disposed of, but when the examiner looked into it he found that they had not disposed of it but carried it along, and it was subsequently transferred back to the bank and later on concealed in the Flather & Flather account. [Continuing reading:]

FAILURE TO MAINTAIN RESERVES.

Through a period of years the bank has violated section 5191 of the Revised Statutes of the United States requiring national banks in reserve cities to carry a reserve of 25 per cent of their deposits. Out of 64 sworn statements of condition rendered between September, 1902, and March, 1915, 33—a majority—show that the bank was short in its reserves, either in the cash it was required to carry in its vault, in the amount which it was required to carry with reserve agents, or in its total reserves.

Yet the bank had testified that it was rarely if ever short in its reserves, and on those rare occasions, which were only for a few days at a time, it had quickly made good. That is in the previous record. [Continuing reading:]

These shortages in its cash reserve averaged, 1910 to 1914, more than \$150,000, and on June 4, 1914, amounted to \$500,365.

That is June, 1914, at the time these investigations began or when the controversy started.

The reports also show that there was throughout the same period an average shortage in your reserves for the period of 30 days preceding the filing of each report of the condition of the bank.

The failure to maintain reserves is particularly reprehensible on the part of a bank which is the reserve agent for other banks. A greater responsibility rests upon scrupulous maintenance of the reserves required by law.

I just read you what Mr. Chief Justice McCoy has said on that subject, that the comptroller would have been remiss to have permitted the bank to continue as it appeared to him as reserve agent for other banks under those conditions. [Continuing reading:]

FAILURE TO FILE DIVIDEND REPORTS.

You have also been negligent in filing the reports required by section 5212, United States Revised Statutes, as to the amounts of dividends declared and the amount of net earnings in excess of such earnings, while from September 11, 1905, to March 8, 1915 (approximately 10 years), you have been from 14 to 54 days late in filing each report.

Merely a chronic disregard of the important or unimportant provisions of the law.

This is indicative of the carelessness and indifferent attitude of the bank toward compliance with the requirements of the law.

REAL ESTATE LOANS.

The practice of the bank in dealing in real estate loans and lending upon real estate or real estate securities contrary to law and the regulations of this

office has continued throughout its entire existence until recently, and against frequent admonitions of former Comptrollers of the Currency. As far back as September 14, 1899, Comptroller Dawes admonished you as follows:

"Loans secured by real estate mortgages:

"At the time of the examination the bank had loans secured by real estate amounting to \$310,338.40, while in your sworn report of condition for June 30, 1899, no amount appeared in the schedule of loans and discounts secured by real estate mortgages, although about the same amount was then held.

"It appears that the loans are made through the firm of Glover, Hyde & Johnston, which is comprised of yourself and the two vice presidents of the bank, the cash being furnished temporarily by the bank, and that the notes are sold to customers of the bank without recourse on this firm. The examiner reports that at least \$2,000,000 of this paper is outstanding and its collection and management is under the supervision of the collection department of the bank."

Mr. Hogan in his testimony made confused and misleading statements in regard to the real estate operations of the bank which I think were sufficiently answered and cleared up by Mr. Jesse Adkins, in his testimony, and I will not detain you to discuss that further at this time unless you desire it. [Continuing reading:]

REFUSAL TO FURNISH SPECIAL REPORTS AND DENIAL OF THE AUTHORITY OF THE COMPTROLLER'S OFFICE.

The records clearly show that until the recent decision of Mr. Justice McCoy, to which I have referred, you refused to furnish, and denied the authority of the comptroller to call for, the information and special reports which it was essential that you should furnish in order that the comptroller might have full knowledge of the affairs of the bank. I regret to say that many of such reports that have been furnished, until quite recently, have been evasive, insufficient, inaccurate, and incomplete. It is a serious question for this office to give life to a bank or association which defies the comptroller's authority and challenges his right to such information as the comptroller deems necessary to enable him to properly understand the condition of affairs of the bank and enforce the law.

It seems to me those statements are elementary and can hardly be disputed. They have been completely sustained, as a matter of fact, by the Supreme Court of the District.

The suit brought by the Riggs National Bank against the Comptroller of the Currency et al, in the Supreme Court of the District of Columbia, to which I have alluded, grew out of the effort of the comptroller's office to secure special reports and complete information as to the affairs of the bank. Mr. Justice McCoy, in the opinion to which I have referred, says inter alia concerning the comptroller's request for a special report, the refusal to furnish which carried the imposition of the \$5,000 fine:

"That demand was two-fold:

"First, for information in regard to all direct loans made by the bank to certain of its men officers; and

"Second, for information in regard to all indirect or dummy or concealed loans made since the organization of the bank for the benefit indirectly or directly of those officers or any of them, including all loans for which they or any of them had indorsed or for which they had furnished the whole or any part of the collateral by which loans to any of them were secured, and for other information as shown by the quotation of said paragraph above.

"In the view which the court takes of the power of the comptroller these demands were entirely within his powers."

I am quoting from the opinion of the court. [Continuing reading:]

The decision of Mr. Justice McCoy further says:

"* * * It is perfectly obvious that as to concealed loans made for the benefit of the officers of the bank no possible limits of the scope of an inquiry by the comptroller could be reasonably suggested. * * *

"The demands made by the comptroller were that the bank make certain reports. If the demand had included the production of books and papers of the plaintiff, the officers of the bank would have no privilege of refusing to produce them because they might contain matters which would incriminate the officers or lead to punishment of the corporation. (*Hale v. Henkel*, 201 U. S., 42; *Wilson v. United States*, 221 U. S., 361.) As was stated in the latter case, the State has visitorial powers over corporations. The fourth amendment of the Constitution protects a corporation against unreasonable searches and seizures, but the fifth amendment providing against compelling a person to be a witness against himself in a criminal case does not prevent the compulsory production of the books by one of its officers, so here the bank can not excuse the failure to give a report simply because any of its officers required to furnish it raise the question of self-incrimination."

I have shown you, gentlemen, how in the course of the examination of those officers they refused to answer questions on the ground that it might incriminate them, and they refused under the advice of Mr. Hogan. [Continuing reading:]

It was against the exercise of the very powers which the court has decided that the comptroller possesses that the Riggs National Bank, in its suit, sought to obtain an injunction.

Obviously it would be contrary to the purpose, spirit, and letter of the national bank act for the Comptroller of the Currency to give corporate life to an association which is denying the power of the comptroller and challenging the very law under which the association is to be organized.

Obedience to law on the part of a national bank and its officers is an essential of its existence. The comptroller has no authority to permit violations of the national bank act, and it is a serious question as to whether the comptroller should extend the corporate life of a bank which, at the time of its application, is challenging the authority of the comptroller's office under the national bank act. Charters are granted to banks upon the express condition that they shall obey the law and the directors of such banks are required to take an oath that they will obey the law. It is the duty of the comptroller to see that the law is obeyed and to proceed for a forfeiture of the charter of any bank which violates the law and refuses to respect lawful authority.

The CHAIRMAN. Is it your view that the bank had no right to challenge your interpretation of the law?

Mr. WILLIAMS. I prefer to refer you to the decision of the court defining that authority. And right here, gentlemen, let me say that when Mr. Untermeyer was testifying yesterday some question was asked as to what authority could review or supervise the comptroller's action, and it was suggested that it might be well to have the Federal Reserve Board have some supervisory authority; but there is already in existence that supervisory authority. The Comptroller of the Currency reports to the Secretary of the Treasury, who can review his work and his performance of his duties. There already rests precisely the supervision authority which it was stated yesterday it might be desirable to provide, and that resides in the Secretary of the Treasury.

The CHAIRMAN. Were you promoted from the Treasury Department to the office of comptroller?

Mr. WILLIAMS. I was first Assistant Secretary of the Treasury and I became Comptroller of the Currency. I am not discussing as to which position carries the most authority. The Bureau of the Comptroller of the Currency, as a matter of form, comes immediately under the Assistant Secretary of the Treasury in charge of fiscal bureaus, and his reports reach the Secretary of the Treasury as a rule through the assistant secretary. The Secretary of the Treasury

has the direct and controlling supervision over the office of the Comptroller of the Currency. [Continuing reading:]

The comptroller might be considered derelict in his duty, therefore, if he extended the corporate life of a national bank in the face of a challenge by the bank of the very law from which it is to derive its life, and when the comptroller apprehended that he would be forced subsequently to bring an action for forfeiture of the charter of the bank because of its refusal to obey the organic law of its being.

In view of the record of the Riggs National Bank as thus shown, the question may well be asked, Should its charter be extended if the present officers, who have been responsible for its management during the whole, or practically the whole, of the bank's existence are to be retained in its management? If the practices and methods of these officers, which have been the subject of criticism, had continued down to the date of the pending application for extension of the charter, the answer would have to be in the negative; but the record of the bank shows that during the past 18 months the practices have been discontinued. During this period the bank's record as to observance of the national-bank act has been generally satisfactory, with the exception of the refusal of its officers to furnish the comptroller with special reports he has called for and the resistance of the bank to the lawful authority of the comptroller. As to this phase of the matter, the recent decision of Mr. Justice McCoy in the Supreme Court of the District of Columbia, in the case of the Riggs National Bank *v.* the Comptroller of the Currency *et al.*, assists in a solution.

The court has, in the decree of Mr. Justice McCoy, thoroughly vindicated the authority of the comptroller under the national-bank act, upholding the contentions of the comptroller in every particular, except as to the fine of \$5,000, which the court held the comptroller clearly had the authority to impose, but declared that it could not be collected in this instance, because the comptroller had demanded that the special reports be verified by the signatures of the "president and cashier and three other officers," instead of by the signature of the "president or cashier and attested by at least three directors," which is the language of the statute.

In every other respect the decision of Mr. Chief Justice McCoy was overwhelmingly in the comptroller's favor.

The directors of the bank have agreed in writing to accept as final the decision of Mr. Justice McCoy, as shown by the following copy of a stipulation they have filed with the Comptroller of the Currency:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 21, 1916.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We understand that in addition to other considerations relating to past management and omissions to comply with certain requirements of the law, you also have doubts as to the propriety of granting an extension of the charter of the Riggs National Bank, because of the Riggs National Bank's resistance of the authority and power asserted by the comptroller's office, culminating in the suit brought by the Riggs National Bank *v.* Comptroller of the Currency *et al.*, and which was decided by Mr. Justice McCoy on the 31st of May, 1916.

The court sustains the right of the comptroller to have the reports and information called for, and the right to impose fines in accordance with the provisions of the statute, if the bank should refuse them.

In order that the question as to the powers of the comptroller's office heretofore raised by the bank may not be a factor in your decision of the bank's application for the extension of its charter, we desire to assure you that, if the charter of the bank is extended, the judgment of the court, including the upholding of the authority of the comptroller's office and his powers under the national bank act, will be accepted as final.

Respectfully,

Charles C. Glover, president; Milton E. Ailes, vice president; Wm. J. Flather, vice president; Joshua Evans, jr., cashier; H. V. Evans, assistant cashier; Milton E. Ailes, Wm. J. Flather, Chas. C. Glover, jr., James M. Johnston, Thos. Hyde, L. Kemp Duval, Chas. C. Glover, Robert C. Wilkins, E. V. Murphy, Sterling Ruffin, Joseph Paul, H. Rozier Dulany, L. E. Jeffries, Charles I. Corby, Directors.

With this suit thus disposed of, the application of the bank is not embarrassed by an attitude of resistance to or questioning of the law and the authority of the comptroller. The next question is the future management of the bank. There are several instances where my predecessors have refused to extend the charters of national banks because of the unsatisfactory record of the applicant bank and the conduct of its officers, and have enforced their demand for a change of officers as a condition of the extension of the charter. In this case it has been urged upon me that the conduct and management of the bank under its present officers for the past 18 months is in earnest that it will be managed in the future in full compliance with the law. Whatever doubts the comptroller has entertained in this particular have been sufficiently satisfied by a written pledge, signed by all the directors and filed with the Comptroller of the Currency, that the bank's business and affairs will be conducted in the future in scrupulous compliance with the law and all lawful rules, regulations, and requirements of the Comptroller of the Currency. The following is a copy of said pledge:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 21, 1916.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We, the undersigned directors of the Riggs National Bank, hereby solemnly and severally pledge ourselves to give special attention in the future to the manner in which the officers of the Riggs National Bank shall carry on and conduct the business and affairs of the bank, to the end that the business operations and affairs of the bank in the future shall be conducted in strict compliance with the national bank act and all the laws of the United States and in conformity with the lawful rules, regulations, and requirements of the Office of the Comptroller of the Currency, and to take all such actions as shall be necessary to secure that end.

The charter of the Riggs National Bank expires by limitation on the 26th of June, 1916. The stockholders of said bank, including the undersigned directors, have made application according to law to the Comptroller of the Currency for an extension of its charter for a further period of 20 years.

Because of the controversies and issues which gave rise to the litigation in the equity suit above referred to, and in order to remove any doubt of the comptroller as to the future conduct and management of the said Riggs National Bank, we hereby give him this express and written assurance, in the hope that his doubts may be allayed, and that the said application for an extension of the charter of the bank for the future period of 20 years will be granted.

Respectfully,

Charles I. Corby, Thos. Hyde, Milton E. Ailes, James M. Johnston,
L. Kemp Duval, L. E. Jeffries, E. V. Murphy, Robert C. Wilkins,
Wm. J. Flather, Joseph Paul, Chas. C. Glover, jr., Chas. C.
Glover, H. Rozler Dulany, Sterling Ruffin.

These questions being satisfactorily disposed of, there is but one other to be considered, and that is the solvency and financial condition of the bank.

A special examination, as required by the national bank act, has been made since the filing of the application for the extension of the charter, and the report of the examiners as to the financial condition of the bank is found to be satisfactory.

Mr. Chairman, may I ask whether Mr. McFadden will appear before the committee?

The CHAIRMAN. I can not answer that question. All I can say is that he has been notified that we expect to close the hearings for the present to-day.

Mr. WILLIAMS. He has made serious charges which I thought he ought to be willing to attempt to corroborate, or to withdraw.

The CHAIRMAN. You have the right to express your opinion.

Senator WALSH. What is that, Mr. Chairman?

The CHAIRMAN. I say, I think Mr. Williams has the right to express his opinion.

Senator WALSH. Some one made charges and has not appeared before the committee?

The CHAIRMAN. Mr. McFadden made charges in the public prints.

Senator WALSH. Of course the committee will not consider any charges made by persons who have not appeared before us, will it, Mr. Chairman?

The CHAIRMAN. I do not think it is necessary to discuss that question. Mr. McFadden is a Member of Congress. He has made certain statements which have appeared in the newspapers.

Senator WALSH. He has not made them here in this room?

The CHAIRMAN. Mr. Williams has answered those statements.

Senator WALSH. He has made no statement in this room?

The CHAIRMAN. Mr. McFadden has been invited to the hearings of the committee, but has not made any statement.

Senator WALSH. There ought not to be any doubt, Mr. Chairman, of the fact that this committee does not intend to consider charges made in the House or upon the street or in newspaper offices unless the persons appear here in person.

The CHAIRMAN. Oh, certainly; there is no doubt about that.

Senator WALSH. So he will not need to answer any of those charges.

The CHAIRMAN. Notwithstanding that fact, Mr. Williams has answered those charges.

Senator WALSH. But the point I want to assure him of is that we will not consider any charges made elsewhere than in this room.

The CHAIRMAN. You are entirely right about that. It is not necessary to discuss it. This point has been brought up several times before. I think it is pretty generally understood. It is hardly necessary to revive it now.

Mr. WILLIAMS. I thought it necessary to make some reference while Senator Penrose was present, as he was about to leave, in view of the fact that Mr. McFadden, when he was called upon by the chairman to come to the hearing, asked to be excused and said he desired to come some other time. I have several times requested the chairman to summon Mr. McFadden to come and make any charges or complaints that he desires to make or was prepared to make, and before the committee adjourned I wanted to have it understood how that matter stood.

Senator WALSH. You have done your part to bring him forward. I do not think you need to explain.

Mr. WILLIAMS (continuing reading from Comptroller's decision) :

In view, therefore, of the solemn pledge given by the directors of the bank that they will give special attention in the future to the manner in which the officers and employees of the Riggs National Bank shall carry on and conduct the business and affairs of the bank, to the end that the business operations and affairs of the bank in the future shall be conducted in strict compliance with the national bank act and all the laws of the United States, and in conformity with the lawful rules, regulations, and requirements of the office of the Comptroller of the Currency, and to take all such action as shall be necessary to secure that end, and in view of the fact that the bank is solvent, and when properly conducted will serve a useful purpose in the community, and that a refusal to approve your application for an amendment to your charter extending your period of succession might work injustice to innocent stockholders, many of whom may have no potential influence or voice in the selection of the directors of the bank or its officers since they may be in a minority, I have concluded to issue a certificate of approval of your application for an extension of your charter, with the expectation that the officers and directors of the Riggs National Bank, profiting by the experience of the past and the decision of the court in the litigation to which I have referred, will scrupulously conform to the provisions

of the national bank act and the rules, regulations, and requirements of the comptroller's office in the future. By doing this and confining itself to the legitimate business of banking the Riggs National Bank can serve this community usefully and honorably. So long as it does this it will have the support and approval of the duly constituted authorities of the Government.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller of the Currency.

Gentlemen, as I pointed out to you in the previous hearing, the benefits which the bank has derived and is deriving from its compliance with the law and from the stoppage of those dangerous, irregular, and unlawful operations and methods which have been so long prevalent, have become increasingly apparent.

I call your attention to the fact that the total deposits of the Riggs National Bank on June 9, 1904, 10 years before this controversy began, were \$8,726,000. In June, 1914, at the beginning of this controversy, its deposits were only \$9,978,000. It had increased in 10 years but little more than 10 per cent during those 10 years and while the energies and activities of the principal officers were being directed toward their real estate and stock market operations.

In the past five years, since the Comptroller of the Currency began this investigation and required these irregular and unlawful practices to cease, the deposits have grown from \$9,978,000, as stated, on June 30, 1914, to \$23,487,000 on June 30, 1919. In other words, they have more than doubled in five years.

I do not ascribe that great increase entirely to the cause that I have suggested, but I do think that it was a potential factor in increasing public confidence in the bank and in aiding and assisting in its prosperity.

I also call attention to the fact that the total resources of the bank on June 9, 1904, were \$12,699,000; that after 10 years of operations, on June 30, 1914, the resources were only \$15,066,000; an increase of about 20 per cent in 10 years. But in the past five years, following the purification of the bank and the cutting out and doing away with the irregular and unlawful practices which had possessed it for so many years, during these past five years that the officers have been able to give their more undivided attention to the bank's interest as a bank, the resources have increased from \$15,066,000 in June, 1914, at the time of this controversy, to more than \$28,000,000 in June, 1919.

The CHAIRMAN. That is rather an exceptional record; or does it compare with the increases in other national banks?

Mr. WILLIAMS. I should be very glad to have the national banks of the whole country compared for that same period.

The CHAIRMAN. Oh, no; if you do not know, Mr. Williams, I do not want you to go to that trouble, I did not know but what you might give us an idea.

Mr. WILLIAMS. I think that the change has been more marked than with the banks generally as compared with the 10-year period, 1904 to 1914, and the five-year period, 1914 to 1919.

Senator WALSH. Of course, the last five years have been exceptional in the banking business.

Mr. WILLIAMS. Yes; for the whole country. But the point is that if it had not been for the fact that the bank had been practically stationary during those previous 10 years when the other banks had

been growing—other banks whose officers had been devoting themselves to the functions of banking—the figures would not have been so significant. But the comparison is principally with the period of comparative stagnation or slow growth during 1904 to 1914, while the bank was conducting its business in this irregular way, and the growth which has taken place since these objectionable practices and unlawful operations were done away with.

Mr. Chairman, there is one point that I would like to refer to before I sit down.

Mr. Untermeyer in his testimony yesterday gave me credit for the rule requiring national banks to pay interest on Government deposits. I want to say that Secretary McAdoo, the Secretary of the Treasury, is entitled to that credit.

I also wish to call your attention to the fact that the digest of the decision of the Supreme Court of the District, which has been referred to several times in these hearings and which was referred to as having been prepared by me or my office, was not prepared by me. I had nothing whatever to do with it. It was a digest prepared by the Department of Justice of the decision which had just been rendered by the Supreme Court of the District.

I wish to read into the record, Mr. Chairman—I will not detain you with it, but if you will permit me to have the letter introduced I would like to introduce the letter from the Comptroller of the Currency to C. C. Glover, president of the Riggs National Bank, dated January 12, 1915, found on pages 111, 112, and 113 of volume 2 of the correspondence.

The CHAIRMAN. That may be done.

(The letter referred to is as follows:)

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, January 12, 1915.

Mr. C. C. GLOVER,
*President the Riggs National Bank,
Washington, D. C.*

SIR: The national-bank examiner has brought to my attention the stenographic report of his continued examination, under oath, on yesterday, of yourself and certain other officers of the Riggs National Bank.

Early in yesterday's examination the bank examiner made this statement, as shown in the stenographic report:

"I understand, for instance, in the case of Mr. Ailes and Mr. Glover, that they both have been put under oath in the course of this examination, and any remarks they make are under the same examination, under the same oath."

The examination was then continued with this understanding.

During the examination officers of your bank were examined as to the commission business which the bank or its officers had been conducting in one way or another since the organization of the bank in July, 1896.

I do not care at this time to go into other developments of this examination; they can be dealt with later. But the statement which you made in closing is so extraordinary and so untrue that I desire to give you the opportunity at once of attempting to explain it. The stenographic report shows this closing statement of yours—under oath—to have been as follows:

"This commission business could have been stopped eighteen and a half years ago, but we never had from any examiner, or Secretary of the Treasury, or Assistant Secretary, or any comptroller, or deputy comptroller, a request to this bank to stop any part of the business that we have been transacting."

That statement is squarely contradicted by facts, and is absolutely untrue; and evidence in the possession of this office shows that you must have known that it was untrue.

The period which you speak of—eighteen and one-half years—goes back to July, 1896, the time at which the business of the Riggs National Bank was

begun. Your statement is that the commission business could have been stopped eighteen and a half years ago, at the very time that it was begun, but you then proceed to give, apparently as a reason why the business was not stopped, this statement:

"But we never"—this expression "never" necessarily covers the 18-year period—"had from any examiner, or Secretary of the Treasury, or Assistant Secretary, or any comptroller, or deputy comptroller, a request to this bank to stop any part of the business that we have been transacting."

You have been transacting, among other things, the business of purchasing and selling stocks, bonds, etc., on commission. You had also been collecting, as the books of the bank show, commissions on real estate loans negotiated.

Now as to whether you were ever requested to stop "any part of the business" that you had been transacting:

As far back as October 22, 1904—10 years and 2 months ago—the Deputy and Acting Comptroller of the Currency, Mr. T. P. Kane, wrote you and said:

"As heretofore advised, the bank exceeds its corporate powers in the purchase and sale of stocks, bonds, etc., on commission. This business is evidenced by the character of cash items, and the books of the bank, which show commissions on sales and purchases of stocks and bonds, as well as on real estate loans negotiated. It is ultra vires of a national bank to traffic in stocks and bonds by buying and selling such securities on commission."

That was a clear and unmistakable warning to you that the business should be stopped, and is a convincing disproof of your statement.

But this is not all. Six months prior, on April 29, 1904, the Comptroller of the Currency had written to "C. C. Glover, president of the Riggs National Bank," a letter in which he said in unmistakable terms:

"The examiner also reports the purchase and sale of stocks, bonds, etc., on commission. As heretofore advised, it is ultra vires of a national bank to engage in this business, and this practice should also be discontinued."

Here is another notification that the business was unlawful, and direct instructions to discontinue it.

This statement also shows that you had been previously warned, and that you had disregarded the warnings.

You can not claim that you were ignorant of the instructions which were given to you on October 22, 1904, for this office holds an acknowledgment, over your own signature, of the receipt of the instructions.

Nor can you claim that the instructions and warning contained in the comptroller's letter of April 29, 1904, failed to reach you, for this office likewise holds an acknowledgment, over your own signature, of the receipt of that letter also.

Further evidence of the falsity of your closing statement at yesterday's examination could be furnished if desirable, but the letters quoted above are conclusive, and will suffice. Why you should have attempted to spread upon the record a statement so glaringly untrue and misleading, I find it hard to comprehend.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

Mr. WILLIAMS. I should also like to introduce a letter from President C. C. Glover, of the Riggs National Bank, addressed to the Comptroller of the Currency, dated January 14, 1915, found on pages 114, 115, and 116.

(The letter referred to is here printed in full, as follows:)

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., January 14, 1915.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have received your letter of the 12th instant; and although its language is such as no Comptroller of the Currency ought to employ toward an officer of any bank under his jurisdiction, I am answering it nevertheless, because I desire this refutation of your charge made a part of the files of your office.

The statement which you excerpt from the stenographic report of the examiner's hearing was not a part of the examination and was made after the same had been concluded, but it is substantially correct, and when read in

connection with all of the testimony taken by the examiner, can not be successfully contradicted.

It is entirely true that a Comptroller of the Currency and a Deputy Comptroller of the Currency, prior to 1905, understanding from the examiner's reports that the Riggs National Bank had itself engaged in the business of buying and selling stocks and bonds on commission, criticized that practice and ordered that it should be discontinued. It is likewise true, however, that when it was afterwards fully explained that the bank did not itself purchase or sell stocks or bonds on commission, and that all such purchases or sales were conducted by the officers of the bank as individuals, though the profits thus earned by these individuals were, for reasons which they deemed sufficient, given to the bank, the explanation was accepted as satisfactory, and not since October 24, 1904, has this bank received any word of criticism on that account until it was called in question by you during the past year.

You say that your office holds an acknowledgment over my signature of the receipt of a letter written by the deputy comptroller to this bank on October 22, 1904, advising that the purchase or sale of stocks and bonds on commissions was ultra vires, and you describe that letter as "a clear and unmistakable warning" that "the business should be stopped." I had not overlooked the letter of the Deputy Comptroller of the Currency to which you thus refer, nor the answer which I made to it. My letter of October 24, in reply to the deputy comptroller's letter of October 22, was incorporated into the examiner's stenographic record while I was on the witness stand, and plainly, therefore, I can not be fairly understood as meaning to say that there had never been any warning from the comptroller's office on account of that business.

If, however, you will examine my letter of October 24, which you characterize as an acknowledgment, you will find that it is more than an acknowledgment. It was an answer to his criticism on this very point, and an explanation of the fact that the officers of the bank, as individuals, and not the bank itself, purchased and sold stocks and bonds on commission. The complaints of the comptroller's office were based on a misapprehension, and when that misapprehension was removed by a full explanation that the business thus criticized was not conducted by the bank, but by the officers as individuals, no request was made that the business as thus conducted by the officers as individuals should be stopped.

Respectfully,

CHAS. C. GLOVER, *President.*

Mr. WILLIAMS. I should like to have the committee compare the statements made by President Glover in that letter of January 14, 1915, with the statements which Mr. Glover and the Messrs. Flather made to National Bank Examiner Trimble, as set forth in National Bank Examiner Trimble's letter to the comptroller dated May 28, 1914.

The CHAIRMAN. Any other matter that you desire to have put into the record, Mr. Williams, may be so put in this afternoon. There may something come up.

Senator WALSH. You can write to the chairman.

The CHAIRMAN. If it does not happen to be in your mind now.

Mr. WILLIAMS. Very good.

Mr. Chairman, before we adjourn may I inquire whether there are at this time any charges or complaints in regard to the Comptroller of the Currency or the administration of his office before you which have not been replied to by me?

The CHAIRMAN. I know of nothing other than what has been brought into these hearings.

Mr. WILLIAMS. Mr. Chairman and gentlemen, with your permission I will stop at this time. I think it is already agreed that we can introduce the correspondence with the Riggs Bank prior to my incumbency of the office of the Comptroller of the Currency, and their replies, and with your permission I would suggest that I be authorized to do this: That instead of listing the names of the borrowers

of those excessive loans, of which there were many—the letters, of course, give the names of the borrowers—it might be a consideration to the borrowers or to the bank to number those letters, say, 1, 2, and 3, down, beginning with the first excessive loan, and then where a particular loan has continued for a period of years to number the second time it has been called attention to “1-4” or “1-5,” “1-6,” or “2” or “3”—something to identify them in that way.

The CHAIRMAN. That is a good suggestion, Mr. Williams.

(By direction of the chairman certain letters and articles are here printed in full, as follows:)

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, July 29, 1919.

HON. GEORGE P. MCLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

DEAR SIR: At to-day's hearings before your committee I directed your attention to the fact that in the 10 years' period preceding the beginning of my investigation (begun May, 1914) of the Riggs National Bank, its condition, methods, and practices, the bank, despite the unusual favors which it had received from the Government, had shown but little or no growth in the matter of deposits and resources, whereas in the past five years, from June, 1914, to June, 1919, following its discontinuance of the irregular, unlawful, and dangerous practices previously in vogue, it has shown a conspicuous and healthy growth.

I stated to your committee that in my judgment the bank's slow growth prior to 1914 was due largely to the fact that the energies and activities of the bank's officers, President Glover and Vice Presidents Ailes and Flather and Cashier H. H. Flather, and of other officers and employees, were being devoted to their brokerage and speculative activities and interests, while the banking features of the institution had been neglected or sacrificed.

I also suggested that the bank's growth for the past five years was due in large part to the fact that the bank had ceased its irregular and unlawful practices and that the time and energies of its officers were being more properly devoted to the real interests of the bank.

You asked me whether it was not true that all the banks of the United States have also shown a very much greater growth during the past 5 years than in the preceding 10 years. I promised to give you the actual figures on this point, which I now have the pleasure of submitting herewith.

The records show that during the period from June, 1904, to June, 1914, the resources of all the national banks of the United States increased from \$6,655,989,000 to \$11,482,192,000, or 72.51 per cent.

In the same period the resources of the Riggs National Bank only increased from \$12,699,000 to \$15,066,000, an increase of only 18.64 per cent.

The Riggs National Bank was required in the summer of 1914 to cease those irregular and unlawful operations and its officers were required to devote their time to the legitimate operations of national banks.

In the period from June 30, 1914, to May 12, 1919, the resources of all the national banks of the United States increased from \$11,482,191,000 to \$20,824,991,000, or 81.37 per cent.

In the same period the resources of the Riggs National Bank, under improved conditions of management with its unlawful operations abated, increased from \$15,067,000 to \$27,616,000—an increase of 83.29 per cent.

In other words, during the 10 years from 1904 to 1914, while the bank was operating in violation of law and in disregard of the requirements of the comptroller's office, the percentage of increase shown by the Riggs National Bank was only about one-fourth of the increase shown by all the national banks of the United States for the same period.

For the 5-year period from June, 1914, to May, 1919, the percentage of increase in resources shown by the Riggs National Bank was 83.29 per cent, as compared with an increase of 81.37 per cent for all national banks for the same period.

Is not this comparison a rather decisive refutation of the unfair and malicious charge made by Mr. Hogan that the efforts of the comptroller's office were calculated or intended to injure or ruin the bank?

If the unlawful and pernicious practices which were in vogue prior to the outbreak of the European war had not been arrested and controlled it is easy to imagine what the evil consequences might have been to this bank in the trying period which followed.

During the hearings, Mr. Chairman, you also raised the question as to whether the State banks of the country were not making quite as favorable a showing as the national banks. In reply to your query, I take the liberty of quoting from pages 11 and 12, volume I, of the report of the Comptroller of the Currency for 1918:

"The following statement shows the growth in resources of all State banks, savings banks, private banks, and loan and trust companies as of June, 1913, as compared with June, 1918, together with a further comparison of national banks at the time of the June, 1913, call and the call of June 29, 1918:

	June, 1913.	June, 1918.	Increase.	Per cent.
State banks, savings banks, trust companies, etc.....	\$14, 675, 243, 842	\$22, 371, 496, 514	\$7, 696, 252, 672	52.4
National banks.....	11, 036, 000, 000	17, 839, 502, 000	6, 803, 502, 000	61.6

"On June 4, 1913, the resources of the national banks were \$11,036,000,000; on November 1, 1918, their resources were \$19,821,000,000, an increase in less than five and one-half years of \$8,785,000,000, or 79.6 per cent.

"The increase in the resources of the State banks, savings banks, trust companies, etc., for the five-year period between June, 1913 and 1918, as shown above, was 52.4 per cent, the increase in the resources of national banks from June, 1913, to June, 1918, amounted to 61.6 per cent.

"These figures show that the growth of the banks under national supervision, during the past five years, has been distinctly greater than the increase shown by the State banking institutions.

"In the five years 1914 to 1918, both inclusive, the records show 314 failures of State banks, savings banks, private banks, and loan and trust companies. There were 56 national bank failures during the same period. For the 12 months' period ending October 31, 1918, failures among the State banking institutions were 32 in 17 States. During the same period there were only two national bank failures, in two States."

I also take the liberty of quoting the following statement from page 4 of the same report of the comptroller:

"The resources of the national banks now exceed by more than a billion dollars the combined resources of all the State banks, savings banks, private banks, and trust companies of the country as late as June, 1916, and are within one billion dollars of the combined resources of all other banks and trust companies, as shown by their reports of June, 1917.

"The resources of the national banks of the United States at this time exceed the aggregate resources of the national banks of issue of England, the Dominion of Canada, France, Italy, the Netherlands, Norway, Sweden, Denmark, Japan, and Germany, all combined, as shown by their latest available reports."

At yesterday's hearing before your committee concerning my confirmation as comptroller, I called the attention of your committee to an occasion in the early part of 1908 when certain profits which the Riggs National Bank had made in certain United States Government bond operations on joint account transactions with the National City Bank of New York, amounting to \$56,918, had been credited upon the books of the bank to certain officers of the bank—Messrs. Glover and Flather; although some weeks subsequently the amount was charged to these officers and credited to profit and loss.

In connection with that transaction you raised the question as to whether those credits were made before or after the bank had increased its capital. I told you that the increase in the bank's capital had taken place five years before, and that I would advise you further as to the number of the bank's stockholders at the time of the transaction.

The records show that at the time the \$56,918 was credited to the Glover and Flather account the bank was owned by about 120 different stockholders, about 100 of whom were holders of the bank's stock for \$10,000 or less, and about 15 owned over 100 shares each; so that the entry could not be justified on the theory that the officers to whose credit the bank's profit was originally

passed (although subsequently transferred to profit and loss) were virtually the owners of the bank. As a matter of fact, it appears from the records that Mr. Glover and the Messrs. Flather at that time owned less than 6 per cent of the capital stock of the bank.

I also beg leave to report that as late as July, 1901, the members of the firm of Glover, Hyde, Johnson & Flather (composed of the bank's officers) owned, all combined, only about four-tenths of the capital stock of the Riggs National Bank; although from 1897 until May, 1902, that firm was using the funds, credit, and facilities of the Riggs Bank in its brokerage operations, and divided up among themselves in that period over \$45,000 of profits from its brokerage and real estate business. There was in 1901 about 40 other stockholders in the bank whose holdings represented a large majority of the bank's capital stock, who, it appears, derived no pecuniary benefits from those brokerage operations for which the bank's capital, credit, and facilities were being used.

At the hearings before your committee on July 24, 1919, I stated to your committee that, despite Mr. Hogan's positive denial that the Riggs National Bank had in past years enjoyed special favors from the Treasury Department, the indisputable records of the office prove that his denial was wholly untrue and that in many ways the Riggs National Bank had been favored and to a very remarkable degree.

I also stated that there had not only been discrimination in favor of the Riggs National Bank in the matter of Government deposits, but that the bank had enjoyed special favors in the matter of obtaining information and data from the various bureaus of the Treasury, and I referred to an incident in connection with my examinations of the bank where it had been discovered that a copy of a certain confidential document, intended only for national bank examiners, had passed into the possession of the Riggs Bank. I stated that if you desire I would be pleased to furnish you further information in regard to that incident. You requested that I do so. I now have the pleasure of handing you a copy of a letter which, as Comptroller of the Currency, I addressed, on October 9, 1915, to Vice President Ailes, of the Riggs National Bank, which was as follows:

TREASURY DEPARTMENT,
Washington, D. C., October 9, 1915.

Mr. M. E. AILES,
*Vice President Riggs National Bank,
Washington, D. C.*

SIR: The records show that some time ago, as vice president of the Riggs National Bank, you wrote a letter to an officer of the National City Bank of New York, of which bank you were also an employee, in which you said:

"I am sending you herewith a copy of the comptroller's pamphlet, *Defalcations and Methods of Concealment.*"

That pamphlet was a confidential communication issued by the Office of the Comptroller of the Currency for the instruction of national-bank examiners only. There was printed across the face of the pamphlet a statement which recited that:

"(This is a confidential publication which has been compiled for the use of bank examiners and is to be returned to the Comptroller of the Currency by the recipient when the service of the examiner is terminated.)"

There can therefore be no question but that you knew that this was a confidential document, published with the intention that it should not go out of the possession of the comptroller's office or its examiners.

You are requested to inform this office immediately how, when, and through whom you obtained this document, the property of this office.

In the letter in which you conveyed this pamphlet to an officer of the National City Bank of New York you said:

"The instructions to examiners are of a very confidential character and I was unable to obtain them to-day. I think perhaps it may be possible to do so another time, however, and I will make an effort early next week to get hold of a set for you."

You are requested to inform this office at once whether the set of "Instructions to examiners," which you admit that you clearly knew were "of a very confidential character," was obtained eventually by, for, or through you and transmitted to the National City Bank or to any of its officers.

If you succeeded in getting possession of the documents referred to, you are requested to inform this office promptly how, when, and through whom these

confidential papers of the comptroller's office were secured by or for you, and to return them at once to the Office of the Comptroller of the Currency.

Respectfully,

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

I do not find Mr. Alles's reply to the foregoing letter in the files. My recollection is that the explanation he offered was that the confidential document referred to had been given to him by one of my predecessors in office.

At the hearing before your committee on July 24, 1919, in answer to statements made by Mr. Poole and Mr. Hogan, to the effect that unfair discrimination had been exercised against the Federal National Bank in the matter of Government deposits, I submitted to your committee a table showing the total amount of Government deposits in each of the 14 national banks of the District of Columbia at the time of each of the three calls made since January 1, 1919, which showed there had not only been no discrimination against the Federal National Bank, but the bank had as a matter of fact received a very much larger share of Government deposits in proportion to its total resources than the average bank in the District.

You asked whether the period covered by that table did not relate to Secretary Glass's administration as Secretary of the Treasury, and intimated that if I should have gone back prior to January 1, 1919, the results might have been different. I promptly told you that I should be pleased to give you figures for a prior period if you desired them, and I now have the honor to present to you the attached table showing as of the dates of all calls made in the year 1918: The total Government deposits with all the national banks of the District of Columbia, and the resources of all the national banks of the district on the same dates as reported by these banks under oath, showing the proportion of United States deposits to total resources for all the national banks.

Those figures are followed by a table showing the total United States deposits held at the time of each call for reports of condition by the Federal National Bank, together with the total resources of the Federal National Bank at the time of each call, and showing the proportion of United States deposits to the total resources on each date. (See Table A, attached hereto.)

These figures show you that throughout the year 1918 the proportion of Government deposits to the total resources held by the Federal National Bank averaged 8.34 per cent, whereas the proportion of Government deposits to total resources for all of the national banks for the same period, including the Federal, averaged only 5.07 per cent. In other words the proportion of Government deposits to total resources held by the Federal for the period under discussion was 66 per cent greater than the average of all other national banks of the district.

Although the total resources of the Federal National Bank for 1918 averaged only 6.67 per cent of the total resources of all the national banks in the District, the records show that its average Government deposits carried, as shown by the banks' own statements to this office during the year, averaged 11.59 per cent of the total Government deposits in the District.

On page 226 of the present hearings I find the following questions addressed by you as chairman to me, and my replies:

"The CHAIRMAN. Did any of the banks with which Mr. L. J. Cooper was connected or Thomas E. Cooper, or any of the family, fail?

"Mr. WILLIAMS. I am coming to an illustration of that in a few minutes if you will kindly allow me to proceed in an orderly way.

"The CHAIRMAN. Just answer my question.

"Mr. WILLIAMS. I think that Mr. L. J. Cooper was an officer of this very State bank which failed. That is my impression. You can have it verified.

"The CHAIRMAN. You do not know whether any of the institutions with which the Coopers were connected failed or not?

"Mr. WILLIAMS. Yes; I do know that a number of the banks were closed out.

"The CHAIRMAN. In which they were officers?

"Mr. WILLIAMS. In which they were officers or guiding and directing spirits. I have not them ready at hand, but I can get a tabulated statement of the official connection of the Cooper family with failed banks, and if you would like me to do so I can present you with such a schedule."

In response to your inquiry, I now beg leave to submit the following memorandum, furnished me by National Bank Examiner Borden, of the sixth Federal reserve district, giving what I understand to be a partial or incomplete list of bank wreckages which mark the path of the men as to whose operations you inquire—brothers and kinsmen of Wade H. Cooper, with divers of whose operations they have been intimately connected. All of Wade H. Cooper's numerous, untrue, and malicious charges before your committee I have heretofore denounced and disproved.

This list embraces five of their defunct banks in the States of Georgia and Florida only, and does not include several other badly damaged banks which have suffered from their operations, but which are still doing business although in a maimed and crippled condition.

Partial list of banks, all of which are now defunct, which were promoted and officered by the Cooper clique:

Waycross Savings & Trust Co., Waycross, Ga.; L. J. Cooper, president. Placed into hands of receiver.

Bank of Floral City, Fla.; L. J. Cooper and L. B. Jenrette (first cousins) were at different times president. Closed.

State Bank of Waycross; L. J. Cooper, president. Closed.

Bank of Statenville, Ga.; L. J. Cooper, president, recently indicted for the fraudulent insolvency of this bank.

Exchange Bank of Waycross; L. P. Jenrette, president. Closed.

The insolvency of three of the foregoing banks were referred to by N. P. Jenrette in his affidavit, pages 223, 224, and 226 of the present hearings, where Jenrette charged that Thomas E. Cooper and L. J. Cooper, to protect themselves and other members of their family, had "used him as a scapegoat to save the reputation of the said Coopers"; also charging that they forced him to sign about \$100,000 of notes, no portion of the proceeds of which he says went to him, and that the said Thomas E. Cooper and L. J. Cooper had agreed to hold him harmless as to any liability, etc. On learning that a copy of that affidavit had been furnished the Comptroller of the Currency, the Coopers induced Jenrette to send to this office post haste, special delivery, a communication withdrawing certain charges as to T. E. Cooper, which he had just made under oath.

In my statement before your committee on the 25th instant, in connection with the activities of the newspaper man, George G. Hill (p. 578, printed hearings), I referred incidentally to the secret propaganda being conducted against me, apparently originating in Washington, but with various ramifications. In support of my assertion I now respectfully submit three editorial articles from obscure newspapers in three States, all identically alike and evidently prepared and sent out by the same journalistic genius. Their contents, as you will observe, are of such coarsely vulgar character that I would not ask any man to read them except as evidence.

Obviously somebody is spending money in hiring cheap and obscure hangers-on of journalism to assail me. This seems to be a revival of the ancient practice of employing professional assassins to wreak private vengeance, only lacking the personal perils and elements of tragedy which gave that system at least a suggestion of dignity. I will not ask you to cumber the records with these editorials, but present them for the inspection of your committee.

I respectfully ask that this entire letter be printed in the record of these hearings.

Respectfully,

JNO. SKELTON WILLIAMS.

TABLE A.—*Total Government deposits with all the national banks of the District of Columbia and the resources of all the national banks of the District on the same dates, as reported by these banks under oath, showing the proportion of United States deposits to total resources for all the national banks.*

Date of call.	Total all United States deposits (including postal savings.)	Total resources.	Ratio of United States deposits to resources.
14 Washington national banks:			
Mar. 4, 1918.....	\$3,477,417.00	\$105,838,714.65	3.29
May 10, 1918.....	5,923,303.40	101,248,996.60	5.85
June 29, 1918.....	8,027,079.38	97,460,737.06	8.24
Aug. 31, 1918.....	6,329,557.70	101,556,098.48	6.23
Nov. 1, 1918.....	5,387,413.13	105,034,500.95	5.13
Dec. 31, 1918.....	2,077,745.77	110,348,942.59	1.88
Total (6 calls).....	31,222,516.43	621,487,990.33	5.02
Federal National Bank:			
Mar. 4, 1918.....	507,453.91	7,333,064.93	6.92
May 10, 1918.....	460,934.58	6,000,080.54	7.68
June 29, 1918.....	927,416.63	6,811,034.39	3.62
Aug. 31, 1918.....	758,013.23	6,155,307.41	12.32
Nov. 1, 1918.....	378,296.15	6,330,430.97	5.98
Dec. 31, 1918.....	211,231.16	6,243,249.51	3.38
Total (6 calls).....	3,243,345.66	38,873,167.75	8.34
Per cent of total deposits, Federal, to total 13 other banks.....			11.59
Per cent of total resources, Federal (6 calls), to total 13 other banks.....			6.67

[Kankakee, Ill., Republican, July 10, 1919.]

SKIDOO FOR SKELETON.

Senator William Calder, of New York, has introduced a bill to abolish the Office of Comptroller of the Currency and transfer the duties of that office to the Federal Reserve Board. It is a measure which ought to pass. The comptroller of this day is about as useful as the little toe on a man's foot, while the man who for the past few years has held that office, and who is now before the Senate for confirmation to succeed himself, is like the corn on that little toe. Incidentally when the duties are transferred under Senator Calder's bill, the proposed comptroller, John Skelton Williams, should be transferred to his acres in Virginia, where the wicked cease from troubling and the weary are at rest. It will be a blessed relief to everybody.

[Ogdensburg, N. Y., Journal, July 12, 1919.]

SKIDOO FOR SKELTON.

Senator William Calder, of New York, has introduced a bill to abolish the Office of Comptroller of the Currency and transfer the duties of that office to the Federal Reserve Board. It is about as useful as the little toe on a man's foot, while the man who for the past few years has held that office, and who is now before the Senate for confirmation to succeed himself, is like the corn on that little toe. Incidentally when the duties are transferred under Senator Calder's bill, the proposed comptroller, John Skelton Williams, should be transferred to his acres in Virginia, where the wicked cease from troubling and the weary are at rest. It will be a blessed relief to everybody.

[Nashua, N. H., Telegraph, July 10, 1919.]

Senator William Calder, of New York, has introduced a bill to abolish the Office of Comptroller of the Currency and transfer the duties of that office to

✕

the Federal Reserve Board. It is a measure which ought to pass. The comptroller of this day is about as useful as the little toe on a man's foot, while the man who for the past few years has held that office, and who is now before the Senate for confirmation to succeed himself, is like the corn on that little toe. Incidentally when the duties are transferred under Senator Calder's bill the proposed comptroller, John Skelton Williams, should be transferred to his acres in Virginia, where the wicked cease from troubling, and the weary are at rest. It will be a blessed relief to everybody.

Mr. WILLIAMS. Thank you, gentlemen.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned subject to the call of the chairman.)

Y 4. B22/3: W67/15/pt. 11

NOMINATION OF JOHN SKELTON WILLIAMS

STANFORD
LIBRARIES

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY

PART 11

Printed for the use of the Committee on Banking and Currency



WASHINGTON
GOVERNMENT PRINTING OFFICE
1919

the Federal Reserve Board. It is a measure which ought to pass. The comptroller of this day is about as useful as the little toe on a man's foot. A man who for the past few years has held that office, and who is now in the Senate for confirmation to succeed himself, is like the corn on the foot. Incidentally when the duties are transferred under Senator Caldwell to the proposed comptroller, John Skelton Williams, should be transferred to the State of Virginia, where the wicked cease from troubling, and the weary are at rest. It will be a blessed relief to everybody.

Mr. WILLIAMS. Thank you, gentlemen.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned subject to the call of the chairman.)

Y4. B22/3 - W67/15

NOTION OF JOHN SKELTON WILLIAMS

HEARING

STATE
LIBRARY

ON BANKING AND TRUST
UNITED STATES SENATE

COMMISSIONER GENERAL
REVENUE

FOR THE
REVENUE

PAY



the Federal Reserve Board. It is a measure which ought to pass. The comptroller of this day is about as useful as the little toe on a man's foot, while the man who for the past few years has held that office, and who is now before the Senate for confirmation to succeed himself, is like the corn on that little toe. Incidentally when the duties are transferred under Senator Calder's bill the proposed comptroller, John Skelton Williams, should be transferred to his acres in Virginia, where the wicked cease from troubling, and the weary are at rest. It will be a blessed relief to everybody.

Mr. WILLIAMS. Thank you, gentlemen.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned subject to the call of the chairman.)

Y4. B22/3:W67/15/pt.11

NOMINATION OF JOHN SKELTON WILLIAMS

STANFORD
LIBRARIES

HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 11

Printed for the use of the Committee on Banking and Currency



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1919**

COMMITTEE ON BANKING AND CURRENCY.

GEORGE P. McLEAN, Connecticut, *Chairman.*

CARROLL S. PAGE, Vermont.

ASLE J. GRONNA, North Dakota.

GEORGE W. NORRIS, Nebraska.

JOSEPH S. FRELINGHUYSEN, New Jersey.

BOIES PENROSE, Pennsylvania.

WILLIAM M. CALDER, New York.

TRUMAN H. NEWBERRY, Michigan.

HENRY W. KEYES, New Hampshire.

ROBERT L. OWEN, Oklahoma.

GILBERT M. HITCHCOCK, Nebraska.

ATLEE POMERENE, Ohio.

DUNCAN U. FLETCHER, Florida.

JOHN B. KENDRICK, Wyoming.

CHARLES B. HENDERSON, Nevada.

DAVID I. WALSH, Massachusetts.

W. H. SAULT, *Clerk.*

NOMINATION OF JOHN SKELTON WILLIAMS.

TUESDAY, SEPTEMBER 2, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met pursuant to adjournment at 10.05 o'clock a. m., in Room 301, Senate Office Building, Senator George P. McLean presiding.

Present: Senator McLean (chairman) and Senator Newberry.

Present also: Hon. John Skelton Williams, comptroller of the currency; Mr. Frank P. Hogan, Congressman McFadden, and others.

The CHAIRMAN. The committee will be in order. Mr. Hogan, you may proceed.

STATEMENT OF MR. FRANK P. HOGAN.

MR. HOGAN. Mr. Chairman, since the parts of the hearings before this committee have been printed, on the nomination of John Skelton Williams for the office of Comptroller of the Currency, which hearings commenced Monday, June 30, 1919, there having previously been printed the hearing on the same subject in February, 1919, I say, since the 10 parts have been printed, I have carefully read every word therein contained, particularly the testimony, if such it be, given by Mr. Williams; and I addressed to you while I was out of the city two letters in which I requested that certain documents be laid before this committee, in which there will be found not only refutation of, but mathematical demonstration of, the culpable falsity of many of the important allegations put into this record by Mr. Williams.

I now ask in open hearing that before I proceed to rebut the matter with which Mr. Williams has seen fit to defile the Senate record, that he be called upon to produce the matters I asked in those letters addressed to you, as follows:

First, a statement giving the dates in the year 1916 on which each national bank in the city of Washington was subjected to examination by the national bank examiners, as commanded by law. By reference, Mr. Chairman, to part 8, page 605, of the hearings before this committee, it will be noted that in an attempted response to my charge that a plain provision of the national bank act, as amended by the act of 1913, had been repeatedly and flagrantly violated by John Skelton Williams during his tenure as Comptroller of the Currency, in the years 1914, 1915, and 1916, he produced before this committee a table showing the dates on which the national banks of the District

of Columbia were examined in the year 1913, when the law did not mandatorially require two examinations, and in the years 1914 and 1915, but he has suppressed the record of the year 1916, with respect to which I had testified. The year 1913 was entirely irrelevant to anything I had said before this committee. The year 1915 was entirely relevant, and will be entirely enlightening, so that before I present to the committee my rebuttal with respect to that violation of law by the comptroller, I ask that he be required to bring the record for the year 1916.

And with that record the reports of the national-bank examiners as to each and every national bank in the District of Columbia made to him in the year 1916. I am compelled to ask those records be made so that they will verify the record, because, as I will demonstrate to this committee beyond peradventure of doubt, or possibility of cavil, when Mr. Williams brings in a statement alleged to be based upon the record, the statement is in 99 per cent of the instances entirely false, so that in order to controvert the falsification by a man who is habitually inclined to falsify, I request that there be brought here before this committee for my use the national-bank examiners reports themselves.

The CHAIRMAN. Mr. Hogan, omit as far as you can your deductions, you know, your conclusions, because I realize that you may be strongly tempted to do that sort of a thing, but we want to get right down to the facts.

Mr. HOGAN. Precisely, Mr. Chairman; that was what I was going to start with when I began to testify. You can not help but have noticed—any member of this committee, regardless of his views on this case, must have noticed—that Mr. Williams used these hearings and this record, and the communications with which he supplemented the record, as a sewer for his unrestrained and unrestricted vilification of every citizen who came before this committee.

The CHAIRMAN. Well, you let the committee draw its conclusions.

Mr. HOGAN. And then at the conclusion, you will remember, Mr. Chairman, he pleaded, in effect, that you and the committee protect him from the comments of those that he had vilified. Now, I take it for granted, Mr. Chairman, that as he has seen fit even to slander and defame the dead, that it will not be said to a citizen who has been the subject of that slander he will not be allowed to reply emphatically to what has been said.

The CHAIRMAN. I think what the committee wants are the facts. That is, we want these records to controvert certain statements of Mr. Williams at the preceding hearings, and that, of course, you are entitled to have.

Mr. HOGAN. But, of course, Mr. Chairman, having permitted—and I notice with a patience that I marvel at—

The CHAIRMAN (interrupting). Yes; I know that Mr. Williams did, ad lib.

Mr. HOGAN. Ad lib, and ad inf!

The CHAIRMAN. But a rather hoped you would not follow his example.

Mr. HOGAN. I will not follow his example, Mr. Chairman; but as a citizen of this country, on matters which attack my personal honor as he has been fit to do, I say here fairly that unless the com-

mittee absolutely stops me I shall reply to it in a way that no member of the Senate and no citizen of the United States will ever misunderstand.

Second, from the records of the comptroller's office, which records contain the data, I ask that he be called upon to produce a list showing loans to officers, directors, and employees of every national bank in the city of Washington, first, at the time of the first report made in response, subsequent to July 1, 1914; and, second, at the time of the last examination of a national-bank examiner preceding July 1, 1914. It is respectfully suggested that the comptroller be required to present to the committee the originals of the reports of conditions, and the reports of the national-bank examiners, which contain this information. Of course, I do not suggest that there be incorporated in the printed record of these hearings those reports, for the obvious and exceedingly fair reason that they will contain data of a confidential character referring to persons, citizens of this country having no relations whatever to the controversies in which Mr. Williams has been involved.

Third, I ask that he be required to produce before this committee the diary kept by John Skelton Williams in the years 1915 and 1916, particularly with reference to the entries therein on the subject of the Riggs Bank, and its officers, and also on the subject of the Attorney General, and the attorneys who represented Mr. Williams, and his co-defendants in the Riggs Bank equity case. That diary, as I am informed, you will ascertain, if it is ever produced, was in part in the shape of a loose-leaf typewritten diary. I request that all of that diary be presented to this committee, so as to show just what Mr. Williams did with regard to the Riggs Bank, and just what, in his own words, he did with respect to its activities in regard to the prosecution of the Riggs Bank officers; that there be produced from the files of the comptroller's office a copy of every letter sent to every national bank in Washington—Riggs, of course, excepted, as it has already been produced—criticizing, commenting upon, or making a reference to loans to officers, directors, and employees, or either of these classes, rendered in the years 1914 and 1915.

Let it not be supposed that the production of that diary will encumber this record, because it is safe to tell you Senators that such communications will be found exceedingly few.

Next, I ask that there be produced statements from the official records of the comptroller's office showing on what work Mr. James Trimble, national bank examiner, was engaged from May 22 to December 31, 1915, both dates inclusive, giving the duration in each instance of the work on which the examiner was engaged, together with data showing what assistants the national bank examiners for the District of Columbia had during that period, and on what work these assistants were engaged during that period, and the duration in each case.

Sixth, that there be produced statements from the official records of the comptroller's office or from the records kept by James Trimble, national bank examiner, showing how frequently he reported to the United States attorney for the District of Columbia, or visited the office of the United States attorney for the District of Columbia during the year 1915 prior to September 22 of that year, as to which

last-named date there was spectacularly produced before this committee a subpoena calling upon Mr. Trimble to visit the United States district attorney's office.

Next, I ask that there be produced from the official records, lists showing the number of national bank examiners and the number of assistants to national bank examiners on duty in Washington during the years 1912 to 1918, inclusive, together with the names and titles.

Eighth, that there be produced a statement from the official records of the office of the comptroller, showing the total amount of loans to officers, directors, and employees of each national bank in Washington, Riggs excepted, as Riggs is already in the record, at the time examinations were made by the national bank examiners during the period from July 1, 1913, to December 31, 1916; and it is respectfully suggested that this statement be verified by the production of the original reports of the national bank examiners in the case of each bank examined during the period mentioned.

Again I call attention to the fact that this does not involve a difficult task, nor require many documents, in view of the comptroller's own showing as to the infrequency of national bank examiners in Washington during the period indicated. It will not require more than one paper for each bank for each of the two years.

Ninth, I request that the comptroller be required to produce here from the official records of the comptroller's office a copy of every letter sent by him during the years 1914 and 1915 to any of the banks and trust companies of the District of Columbia, calling for reports from their directors, on the subject of the number of shares of stock held by them unhypothecated during their directorship. This request may, of course, exclude Riggs National Bank, as such requests sent to the Riggs National Bank are already part of the record.

With those documents, some of which have been referred to, but not produced before your committee, Mr. Chairman, an intelligent showing with respect to the conduct of Mr. Williams' public office can be made in rather brief time.

The CHAIRMAN. Well, Mr. Williams, how much time do you think you will require to prepare these reports of statistics and reports?

Mr. WILLIAMS. Mr. Chairman and gentlemen, I should like to look over the list that has been presented by that witness. He realizes the hopelessness of his ever being able to substantiate any of the malicious complaints or charges—

The CHAIRMAN (interrupting). I suggested to Mr. Hogan, I wish both of you would, if possible, omit the deductions and the innuendoes. Let's confine ourselves to the facts, if possible.

Mr. WILLIAMS. I think, Mr. Chairman, that I have proven in the documents which I have already submitted to the committee the falsity of all those charges, and I refer the committee to them. It's my belief that if this witness were an Army officer and made such false testimony before any Army tribunal, he would be dismissed from the service, and for him to come forward now and try to crowd the record by asking for papers and documents which are wholly irrelevant, simply shows, in my judgment, the hopelessness of his undertaking and his admission of the despicable position in which he has placed himself.

As to furnishing those documents from the Treasury, I shall be glad to examine the list with some care and see what they involve, and confer with the Secretary of the Treasury as to the propriety of doing so. He has requested that they be laid before this committee. Among other things I note the loans to all officers and employees of all national banks in the District of Columbia, banks which have nothing to do with this case, which are not under criticism, and some of which have never been under criticism, as far as I know. As to the propriety of dragging those banks and their officers into this case, I fail to see what it has to do with it; but I shall be very glad to take the matter up with the Secretary of the Treasury, and with your committee, and determine together what it is proper that we should do.

The CHAIRMAN. You will probably want a few days for that, Mr. Williams. You will probably want more than one day.

Mr. WILLIAMS. I should say—I should not want any time for it, especially, but it might be well for me to look into it and see just exactly what it involves, and bring it before the Secretary of the Treasury. I do not know whether he is in the city or not. I should say, in that event, I might get in touch with him by day after to-morrow.

The CHAIRMAN. You may have all the time you want, Mr. Williams. Now, if you will just say how much time you want, I think the committee will grant it.

Mr. WILLIAMS. Well, I do not want any time, as far as I am concerned, but as I am not advised as to whether the Secretary of the Treasury is in the city to-day, I think it would be safer to give us until day after to-morrow in which to determine the question.

The CHAIRMAN. Thursday morning at 10 o'clock.

Mr. WILLIAMS. That will suit me.

The CHAIRMAN. The committee stands adjourned.

Mr. HOGAN. Just a moment. May I ask, before the committee stands adjourned—I refrain at this time, because you want me to, from replying to insinuations as to the dismissal of an officer from the Army, etc.

The CHAIRMAN. I understand.

Mr. HOGAN. Because I expect another official will soon be dismissed in disgrace from his own service, but I notice that subsequent to the conclusion of the testimony adduced by Mr. Williams on his behalf, there was written to the chairman of this committee, and included in the record, a communication by which Mr. Williams supplemented his former inadmalversions. Now, Mr. Chairman, I ask, has Mr. Williams sent to the chairman of this committee any communication that has not been printed in the record on this subject, and on the subject of myself and the officers of the Riggs Bank.

The CHAIRMAN. I don't think so, Mr. Hogan, but that letter you referred to, I have not had the time to read it.

Mr. HOGAN. The one in the record?

The CHAIRMAN. The one that was printed subsequent to the hearing.

Mr. HOGAN. I know, but Mr. Chairman, there was one letter that subsequent to the hearing was written by Mr. Williams to Hon.

George B. McLean, dated July 29, 1919, in which Mr. Williams said that taking advantage of the permission given him to supplement what he had been saying by anything he wanted to say in writing, he addressed this communication, and the record shows that by direction of the chairman, July 29, 1919, is inserted in the record. Now I ask, Mr. Chairman, before I go on, whether it is or not a fact that subsequent to this time Mr. Williams has had printed at a private printing house in the city of Washington what he calls a letter to the chairman of this committee, and transmitted it to him, and perhaps to other members of the committee. If so, I would like to be furnished with a copy of it officially, to the end that I may adequately and fully reply to it, and I promise both adequateness and completeness.

The CHAIRMAN. Well, Mr. Hogan, I have here Mr. Williams' letter to-day. I have here a letter from Mr. Williams to the Banking and Currency Committee, dated August 12, 1919.

Mr. HOGAN. Is that in printed form?

The CHAIRMAN. That is in printed form, and there is another communication which I received from the comptroller, and he tells me that which you have is practically a copy of this, but as this has not been submitted to the committee as a whole, but is addressed to me, I do not know whether it—do you want to look at that also?

Mr. HOGAN. No, sir; I do not. I would like to know whether I can have this pamphlet?

The CHAIRMAN. Yes.

Mr. HOGAN. Printed by Chas. H. Potter Co. (Inc.), Washington, D. C., and pretends to be a letter to yourself.

The CHAIRMAN. You can have it. If there is nothing further, the committee stands adjourned until Thursday morning at ten o'clock.

(The letters referred to are here printed in full as follows:)

The following correspondence includes letters of criticism addressed by the Comptroller of the Currency to the Riggs National Bank between August 29, 1906, and November 19, 1913, and the Riggs National Bank's replies thereto; also a few miscellaneous letters between the Riggs Bank or its officers and the Treasury Department:

(The Riggs National Bank was chartered June 27, 1896.)

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., August 29, 1896.

Mr. CHAS. C. GLOVER,
Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on July 14, 1896, that the following loans in excess of one-tenth of its capital stock have been made, viz:

Excess loan No. 1, first criticism of this borrower-----	\$56,000.00
Excess loan No. 2, first criticism of this borrower-----	218,495.56
Excess loan No. 3, first criticism of this borrower-----	109,465.20

Section 5200, United States Revised Statutes, prescribes that "The total liability to any association of any person, or of any company, corporation, or firm for money borrowed, including the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit as soon as practicable.

NOMINATION OF JOHN SKELTON WILLIAMS.

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Please inform me at an early day the reason for these violations of the statute, and also what you know with regard to the standing of the borrowers.

Respectfully, yours,

GEO. M. COFFIN, *Deputy Comptroller.*

REQUEST CORRECT SCHEDULE OF ITEMS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 2, 1897.

Mr. ARTHUR T. BRICE,
Cashier Riggs National Bank, Washington, D. C.

SIR: In your report of condition for December 17, 1896, the item of stocks, securities, etc., is entered on the face of the same at \$317,305.27, while the schedule on back shows an amount of \$429,287.31.

You are respectfully requested to forward a correct schedule of the items composing the amount at your earliest convenience. Please also see that future reports are correct in this respect.

Respectfully, yours,

GEO. M. COFFIN, *Deputy Comptroller.*

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 2, 1897.

Mr. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on December 17, 1896, that the following loans in excess of one-tenth of its capital stock have been made, viz:

Excess loan, No. 2. Second criticism of this borrower.....	\$264,385.97
Excess loan, No. 4. First criticism of this borrower.....	55,696.49

Section 5200, United States Revised Statutes, prescribes that "the total liabilities to any association of any person, or of any company, corporation, or firm for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit as soon as practicable. Please inform me at an early day the reason for these violations of the statute, and also what you know with regard to the standing of the borrowers.

Respectfully, yours,

GEO. M. COFFIN, *Deputy Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington D. C., February 5, 1897.

The honorable the COMPTROLLER OF THE TREASURY,
Washington, D. C.

SIR: I have the honor to acknowledge the receipt of your three several letters of the 2nd instant, the contents of which have due note.

Referring to the report made by this association of its condition on December 17 ultimo, I beg to say that naming the Merchants National Bank of St. Louis as one of our reserve agents was merely a clerical error in copying the report. The name should have been Merchants-Laclede National Bank.

Complying with your request, I hand to you herewith inclosed an amended list of the stocks, securities, etc., held on the date of said report, leaving out United States bonds and stating the total to be \$317,305.27, as shown on the face of the report.

Noting your exceptions to the amount of funds on deposit with (excess loan No. 2) and with (excess loan No. 4) I beg leave to say:

First. That excess loan No. 2 has been the valued friend and trusted depository of Messrs. Riggs & Co., for nearly 50 years past, and that it is one of the strongest banks in the country, enjoying a credit and standing second to none. It is under State supervision and its management has always been both safe and conservative. Our relations with excess loan No. 2 are of such a nature and of such a satisfactory character that we should consider it a matter of great regret to be without them.

We are called upon to furnish at all times New York Exchange for large amounts to our depositors and others, and hence the necessity of keeping a considerable balance to our credit, separate from our reserve fund, to meet active drafts. To justify the accommodation which we constantly get from excess loan No 2 by way of valuable and reliable information concerning the needs of ourselves and our depositors, we feel obliged to keep a substantial sum on deposit.

Second. That necessarily incident to our business and the needs of our depositors, we furnish, and continuously have in circulation, traveling credits to a large amount, authorizing drafts to be paid in London; and to meet such drafts we are obliged to keep sufficient funds there to our credit.

Excess Loan No. 4 are financial agents of the very highest standing and credit, and well known throughout the commercial world.

They have been our correspondents for a great many years, and render us valuable service in relation to our letters of credit, and in giving information in the interest of our depositors.

Very respectfully, yours,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., July 10, 1897.

Mr. C. C. GLOVER,

President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of this bank made on the 17th ultimo has been received, and the following matters reported therein appear to be subject to criticism or comment:

First. Loans exceeding the limit prescribed by section 5200, United States Revised Statutes.

Excess Loan No. 5.....	\$58,800.00
Excess Loan No. 6, first criticism of this borrower....	\$6,161.30
Excess Loan No. 6 (member of firm), first criticism of this borrower	53,000.00
	59,161.30

Second. The depositors' pass books are balanced by the bookkeeper. This is a dangerous practice.

Some arrangement should be made to have the depositors' pass books balanced and compared with the individual regularly by some one who does not receive deposits nor keep the individual ledger.

Third. The individual ledger bookkeepers are not rotated. They should be directed to exchange ledgers from time to time without previous notice.

Fourth. On March 26, last, there was a discrepancy of \$2,532.18 between the individual and general ledgers, which should be reconciled without delay. This may be the result of not employing a sufficient number of clerks.

Please bring this communication to the immediate attention of the directors for consideration, and request them to unite in making prompt reply over their individual signatures.

Respectfully, yours,

GEO. M. COFFIN,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington, D. C., July 15, 1897.

The honorable the COMPTROLLER OF THE CURRENCY,
City.

SIR: Your communication of the 10th instant was duly received and will have attention in due course. Several members of the board of directors are absent from the city, and upon their return a reply will be made.

Very respectfully, yours,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., August 28, 1897.

Mr. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: You are respectfully advised that the cashier's reply to office letter of July 10, with regard to the condition of this bank at the time of a recent examination has been received.

Please see that reply to said letter, signed jointly by the directors of the bank, is made without further delay.

Respectfully, yours,

GEO. M. COFFIN,
Deputy and Acting Comptroller.

RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington, D. C., August 30, 1897.

The honorable the COMPTROLLER OF THE TREASURY, *City.*

SIR: Responding to your letter of August 28 instant, we respectfully acknowledge the receipt of your communication of July 10 last with regard to the condition of this bank at the time of the recent examination.

Owing to the absence of our directors, this formal acknowledgment has necessarily been delayed.

Very respectfully, yours,

CHAS. C. GLOVER.
JAMES M. JOHNSTON.
WM. J. FLATHER.
ARTHUR T. BRICE.

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE TREASURY,
Washington, D. C., April 12, 1898.

Mr. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on February 18, 1898, that the following loans in excess of one-tenth of its capital stock have been made, viz:

Excess loan No. 2, third criticism of this borrower.....	\$174,764.93
Excess loan No. 7, first criticism of this borrower.....	250,000.00
Excess loan No. 9, first criticism of this borrower.....	26,500.00
Excess loan No. 9, (firm) first criticism of this borrower.....	42,000.00
Excess loan No. 10, first criticism of this borrower.....	52,170.72
Excess loan No. 11, first criticism of this borrower.....	51,275.00
Excess loan No. 6, second criticism of this borrower.....	57,925.00
Excess loan No. 6, (adm's) second criticism of this borrower.....	13,000.00
Excess loan No. 6, (Joint) second criticism of this borrower.....	21,927.53
Excess loan No. 12, first criticism of this borrower.....	33,440.00
Excess loan No. 12, (trustee's) first criticism of this borrower..	82,605.00
Excess loan No. 13.....	53,000.00

Section 5200 United States Revised Statutes prescribes that "The total liabilities to any association of any person, or any company, corporation, or firm for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit as soon as practicable. Please inform me at an early day the reason for these violations of the statute, and also what you know with regard to the standing of the borrowers.

Respectfully, yours,

GEO. M. COFFIN, *Deputy Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., April 20, 1898.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have your letter of the 12th instant and note its contents. The character and standing of the borrowers named in your letter and the nature of the collateral securities held for those loans are such as to make the loans undoubted and of very desirable character. Since our last report one of these loans has been reduced to the statutory limit.

Very truly, yours,

ARTHUR T. BRICE, *Cashter.*

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, April 28, 1898.

Mr. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of this bank made on the 20th instant has been received, and the following matters reported therein are subject to criticism or comment:

First. Loans exceeding the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 9, second criticism of this borrower...	\$21,000.00	
Excess loan No. 9 (member), second criticism of this borrower	71,800.00	\$92,800.00
Excess loan No. 7, second criticism of this borrower.....		250,000.00
Excess loan No. 6, third criticism of this borrower.....	24,427.55	
Excess loan No. 6 (member), third criticism of this borrower	63,000.00	
		87,427.55
Excess loan No. 10, second criticism of this borrower.....		51,970.72
Excess loan No. 2, fourth criticism of this borrower.....		251,325.42
Excess loan No. 12, second criticism of this borrower...	36,290.00	
Excess loan No. 12 (trustee), second criticism of this borrower	85,605.00	
		121,895.00
Excess loan No. 11, second criticism of this borrower.....		51,250.34
Excess loan No. 14		50,108.34
Excess loan No. 15		60,033.56
Excess loan No. 4, second criticism of this borrower.....		132,491.71

Second. The bank holds a large amount of stocks, which were purchased for investment.

You are respectfully advised that the United States Supreme Court decided during the October, 1896, term, in the case of *California National Bank v. Nat Kennedy* (167 U. S. 362), that:

"The power to purchase or deal in stock of another corporation is not expressly conferred upon national banks, nor is it an act which may be exercised as incidental to the powers expressly conferred. A dealing in stocks is consequently an ultra vires act, and, being such, it is without efficacy."

All shares of stock purchased for investment now owned by the bank are held in plain violation of law, and must be disposed of without further delay. An early reply to this letter is requested.

Respectfully, yours,

CHARLES G. DAWES, *Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., May 2, 1898.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your communication of the 28th instant has been duly received, and the contents carefully noted. In response to your comments, I beg leave to say that ever since the organization of the bank the amount of investment securities carried on its books have been gradually disposed of when their sale could be effected to advantage.

It is our wish to continue this policy, and to have the institution at all times in such excellent condition as to place it beyond comment or criticism.

Very respectfully, yours,

CHAS. C. GLOVER, *President.*

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., January 27, 1899.

MR. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on December 1, 1898, that the following loans in excess of one-tenth of its capital have been made, viz, 11 items, aggregating \$941,527.59.

Section 5200, United States Revised Statutes, prescribes that "the total liabilities to any association of any person, or of any company, corporation, or firm money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit as soon as practicable. Please inform me at an early day the reason for these violations of the statute, and also what you know with regard to the standing of the borrowers.

Respectfully, yours,

LAWRENCE O. MURRAY,
Deputy Comptroller.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, March 28, 1899.

MR. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of this bank made on the 15th instant has been received, and the following matter reported therein is subject to criticism:

Loans exceeding the limit prescribed by section 5200, Revised Statutes:

Excess loan No. 9, third criticism of this borrower-----	\$77,399.00
Excess loan No. 9 (member), third criticism of this borrower-----	36,701.00
	\$114,100.00
Excess loan No. 10, third criticism of this borrower-----	51,970.72
Excess loan No. 7, third criticism of this borrower-----	310,000.00
Excess loan No. 2, fifth criticism of this borrower-----	129,543.71
Excess loan No. 8, first criticism of this borrower-----	68,149.80
Excess loan No. 16, first criticism of this borrower-----	75,000.00
Excess loan No. 17, first criticism of this borrower-----	59,500.00
Excess loan No. 18, first criticism of this borrower-----	69,500.00
Excess loan No. 12, third criticism of this borrower-----	106,563.00
Excess loan No. 19, first criticism of this borrower-----	106,000.00

An early reply to this letter is requested.

Respectfully, yours,

CHARLES G. DAWES,
Comptroller

NOMINATION OF JOHN SKELTON WILLIAMS.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., March 29, 1899.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 28th instant is received. The loans enumerated in your letter, included in our bills receivable, are all of exceptionally good character, and amply and well secured.

Very respectfully, yours,

ARTHUR T. BRICE,
Cashier.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, September 14, 1899.

MR. CHARLES C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: I am in receipt of the report of an examination of the Riggs National Bank, Washington, D. C., made August 24, 1899, and the following matters appear to warrant comment or criticism:

Lawful money reserve deficient in bank, \$55,688.

In this connection your attention is called to section 5191, United States Revised Statutes:

Excess loan No. 20, first criticism of this borrower.....	\$94,900.00
Excess loan No. 17, second criticism of this borrower.....	59,500.00
Excess loan No. 12, fourth criticism of this borrower.....	\$122,525.00
Excess loan No. 12 (trustee), fourth criticism of this borrower	20,311.00
	142,836.00
Excess loan No. 7, fourth criticism of this borrower.....	810,000.00
Excess loan No. 8, second criticism of this borrower.....	59,253.31
Excess loan No. 8 (indorsed for G. T. D., jr.), second criticism of this borrower.....	45,522.75
	104,776.06
Excess loan No. 10, fourth criticism of this borrower.....	51,970.72
Excess loan No. 10 (overdraft), fourth criticism of this borrower	19,627.45
Excess loan No. 10 (indorsed for L. H.), fourth criti- cism of this borrower.....	40,000.00
Excess loan No. 10 (indorsed for W. P. D.), fourth criticism of this borrower.....	106,000.00
	217,598.17
Excess loan No. 21, first criticism of this borrower.....	80,000.00
Excess loan No. 6, fourth criticism of this borrower.....	116,739.40
Excess loan No. 16, second criticism of this borrower.....	75,000.00
Excess loan No. 18, second criticism of this borrower.....	79,500.00
Excess loan No. 22, first criticism of this borrower.....	52,030.00

These loans should be reduced to the limit prescribed by section 5200, United States Revised Statutes.

Loans secured by real estate mortgages:

At the time of the examination the bank had loans secured by real estate amounting to \$310,338.40, while in your sworn report of condition for June 30, 1899, no amount appeared in the schedule of loans and discounts secured by real estate mortgages, although about the same amount was then held.

It appears that the loans are made through the firm of Glover & Johnston, which is comprised of yourself and the two vice presidents of the bank, the cash being furnished temporarily by the bank, and that the notes are sold to customers of the bank without recourse on this firm. The examiner reports that at least \$2,000,000 of this paper is outstanding, and its collection and management is under the supervision of the collection department of the bank.

The criticism as to the legality or illegality of these loans depends entirely upon whether they are made wholly or partly upon the security of the real estate mortgages, and in this connection your attention is called to section

5187, United States Revised Statutes, which provides that the only purpose for which a national bank may lawfully acquire a mortgage on or title to real estate is "by way of security for debts previously contracted."

An early reply to this letter is requested.

Respectfully, yours,

CHARLES G. DAWES, *Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 16, 1899.

HON. CHARLES G. DAWES,
Comptroller of the Currency, Washington, D. C.

DEAR SIR: We beg to acknowledge the receipt of your favor of 14th instant in reference to the recent report of the bank examiner, and to say:

1. As to deficiency in lawful money reserve in bank:

That was only temporary. Our present reserve in bank is \$963,000, and is \$248,000 above legal requirements.

2. We endeavor to keep our loans as nearly as possible within the 10 per cent limit, but it is not always possible to do so.

3. As to real estate loans:

There is no connection between the loans referred to in paragraphs 1 and 2, of page 2, of your letter. Those referred to in paragraph 1 only exist where we take A's note as collateral security for B's debt, and we do not consider A's note less valuable as collateral because it is sometimes secured by a lien on real estate. Our statement of June 30 shows a loan of \$500, which is the only loan we hold secured by real estate, as we understand the meaning of the statute.

The bank has no interest in the loans referred to in paragraph 2, page 2, of your letter, and is in no way liable on or for them. These loans are not made to be used as collateral for loans by the bank, and are so used in a trifling proportion of cases only. When given (not sold) to depositors we commonly take them for collection as any other commercial paper or bonds would be. As to them the bank has only the usual responsibility as collecting agents.

Very respectfully,

JAMES M. JOHNSTON,
Second Vice President.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, March 12, 1900.

MR. CHARLES C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank made on the 28th ultimo has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 17, third criticism of this borrower.....	\$57, 125. 00
Excess loan No. 20, second criticism of this borrower.....	53, 901. 12
Excess loan No. 12, fifth criticism of this borrower.....	176, 290. 00
Excess loan No. 8, third criticism of this borrower.....	160, 963. 56
Excess loan No. 21, second criticism of this borrower.....	115, 000. 00
Excess loan No. 23, first criticism of this borrower.....	58, 388. 00
Excess loan No. 22, second criticism of this borrower.....	72, 080. 00
Excess loan No. 10, fifth criticism of this borrower.....	207, 970. 52
Excess loan No. 24, first criticism of this borrower.....	100, 000. 00
Excess loan No. 25, first criticism of this borrower.....	52, 578. 75
Excess loan No. 26, first criticism of this borrower.....	69, 076. 52
Excess loan No. 7, fifth criticism of this borrower.....	410, 000. 00
Excess loan No. 6, fifth criticism of this borrower.....	117, 989. 40

The examiner reports 63 loans, amounting to \$282,405.65, secured by real estate mortgages.

It appears that these loans are made upon notes discounted for the makers on the security of other notes running to such makers, which latter notes are

secured by real estate mortgages, and that the bank accepts these mortgage notes and mortgages as collateral to the notes discounted.

While it is true, as stated by the bank, in reply to a former letter of this office in regard to such loans, that none of the collateral notes or mortgages in question run to the bank, it appears to be likewise true that the only security involved in any of these transactions is the real estate mortgaged to secure the note taken as collateral to the note discounted, as it is not assumed that the bank would have discounted any of these borrowers' notes on the strength of the makers of such notes alone without indorsement or other security, or on the strength of the makers of the collateral notes without the real estate mortgages behind them.

These loans are therefore made in contravention of section 5137, United States Revised Statutes which prohibits a national bank from taking real-estate mortgages as security for loans except "such as shall be mortgaged to it in good faith by way of security for debts previously contracted," and the practice of making such mortgage loans should be discontinued.

An early reply to this letter is requested.

Respectfully,

T. P. KANE, Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., March 17, 1900.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 12th instant has been received.

Referring to the matters to which my attention has been called, I beg leave to say that the number of excess loans held by this bank will be largely reduced by April 1, prox., on which date the whole amount loaned to the Capital Traction Co. will be paid off.

In regard to the loans made on collateral of other notes, secured by real estate, I beg leave to say that almost without exception, the notes are perfectly good, without any security. Some of them are indorsed notes, in addition to the real-estate security; and the number will be reduced at any early date.

Very respectfully,

CHAS. C. GLOVER, President.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, October 17, 1900.

Mr. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank made on the 22d ultimo, has been received and has had careful consideration.

At the time of the previous examination, February 28, 1900 loans secured by real-estate mortgages were reported amounting to \$282,405.65, to which your attention was called in office letter of March 12, 1900, as being made in contravention of section 5137, United States Revised Statutes. The examiner now reports loans of the same character amounting to \$435,904.04. Your attention is again invited to the section above named, which provides that the only purpose for which a national bank may lawfully take a mortgage on real estate is "By way of security for debts previously contracted." As the mortgages referred to do not appear to have been taken for this purpose, the notes should be disposed of or other security obtained.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 12, sixth criticism of this borrower.....	\$188,211.00
Excess loan No. 60.....	146,923.27
Excess loan No. 2, sixth criticism of this borrower.....	121,178.55
Excess loan No. 19, second criticism of this borrower.....	106,000.00
Excess loan No. 24, second criticism of this borrower.....	100,000.00
Excess loan No. 8, fourth criticism of this borrower.....	93,957.25

NOMINATION OF JOHN SKELTON WILLIAMS.

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Excess loan No. 27, first criticism of this borrower-----	\$82,000.00
Excess loan No. 18, third criticism of this borrower-----	75,200.00
Excess loan No. 21, third criticism of this borrower-----	80,000.00
Excess loan No. 16, third criticism of this borrower-----	75,000.00
Excess loan No. 26, second criticism of this borrower-----	73,035.89
Excess loan No. 20, third criticism of this borrower-----	72,301.12
Excess loan No. 22 (et al.), third criticism of this borrower-----	\$80,000.00
Excess loan No. 22, third criticism of this borrower-----	54,743.75
	114,743.75
Excess loan No. 17, fourth criticism of this borrower-----	57,125.00
Excess loan No. 9, fourth criticism of this borrower-----	57,000.00
Excess loan No. 28, first criticism of this borrower-----	66,780.88
Excess loan No. 10, sixth criticism of this borrower-----	51,970.72
	1,561,427.43

An early reply to this letter is requested.
Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., October 23, 1900.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have your letter of the 17th instant, calling attention to the report of the bank examiner of an examination of the Riggs National Bank on September 22, 1900.

Noting the comments in your letter, I beg leave to say that through some misunderstanding on the part of the examiner, the amount loaned on real estate securities is fixed at \$435,904.04.

To make a correct showing, that amount should be reduced to the sum of \$222,023.

The following loans, not being secured by real estate, are erroneously included in the examiner's report, to wit:

A, secured by stocks, etc.-----	\$10,000.00
B, and others, 3-name note-----	23,162.32
C, secured by stocks-----	3,000.00
D, indorsed note—since paid-----	3,000.00
E, collaterals-----	8,500.00
F, four-name note-----	12,500.00
G, four-name note-----	8,019.36
H (\$10,000, indorsed note)-----	8,019.36
I, collaterals-----	10,000.00
J, collaterals-----	10,000.00
K, indorsed note-----	4,000.00
L, listed \$6,000, should be \$2,500-----	3,500.00
M, listed \$9,000, should be \$7,500-----	1,500.00
N, collateral-corporation note-----	17,565.00
O, collateral-corporation note-----	26,350.00
P, collateral-corporation note-----	21,620.00
Q, collateral-corporation note-----	16,250.00
R, collateral-corporation note-----	19,595.00
S, listed twice-----	7,300.00
	213,881.04

From this you will see that the amount of loans secured by notes secured by mortgages, is being materially reduced, rather than increased.

Very respectfully,

CHAS. C. GLOVER,
President.

NOMINATION OF JOHN SKELTON WILLIAMS.

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., January 30, 1901.

Mr. CHAS. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on December 13, 1900, that the following loans in excess of one-tenth of its capital stock have been made, viz: Thirty-one loans aggregating \$1,728,538.46.

Section 5200, United States Revised Statutes, prescribes that "the total liabilities to any association of any person, or of any company, corporation, or firm, for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit without delay.

Respectfully,

T. P. KANE, Deputy Comptroller.

EXCESSIVE LOANS.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., April 3, 1901.

Mr. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: It appears from the report of condition of your bank on February 5, 1901, that the following loans in excess of one-tenth of its capital stock have been made, viz: Twenty-one loans, aggregating \$1,808,449.16.

Section 5200, United States Revised Statutes, prescribes that "the total liabilities to any association of any person, or of any company, corporation, or firm for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in."

These loans should be reduced to the lawful limit without delay.

Respectfully, yours,

T. P. KANE, Deputy Comptroller.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, May 9, 1901.

Mr. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank, made on the 22d ultimo, has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 9, fifth criticism of this borrower-----	\$73,050.00	
Excess loan No. 9 (firm), fifth criticism of this borrower-----		33,000.00
		<hr/> \$106,050.00
Excess loan No. 12, seventh criticism of this borrower-----		108,348.00
Excess loan No. 22, fourth criticism of this borrower-----		75,000.00
Excess loan No. 8, fifth criticism of this borrower-----		154,079.68
Excess loan No. 29-----		69,400.00
Excess loan No. 10, seventh criticism of this borrower-----		140,073.70
Excess loan No. 24, third criticism of this borrower-----		100,000.00
Excess loan No. 30, first criticism of this borrower-----		\$65,000.00
Excess loan No. 25, second criticism of this borrower-----		56,321.55
Excess loan No. 28 (joint), second criticism of this borrower-----		100,000.00
Excess loan No. 28, second criticism of this borrower-----		39,052.46
Excess loan No. 31, first criticism of this borrower-----		60,000.00
Excess loan No. 32, first criticism of this borrower-----		112,531.90

Excess loan No. 26, third criticism of this borrower-----	\$67,285.86
Excess loan No. 18, fourth criticism of this borrower-----	92,000.00
Excess loan No. 16, fourth criticism of this borrower-----	75,000.00
Excess loan No. 6, sixth criticism of this borrower-----	188,016.39
Excess loan No. 2, seventh criticism of this borrower-----	134,738.44

The examiner states that loans secured by real estate amounted to about \$400,000, the security for the greater portion running to employees of the bank. This amount is slightly below the amount reported at the time of the previous examination, but greatly in excess of the amount stated in your letter of October 23, 1900. The loan to ----- which you stated was secured by stocks, etc., is now reported to be secured by deed of trust and assigned mortgages; and must therefore be included with the loans secured by real estate. Your attention is again called to the provisions of section 5137, United States Revised Statutes, in connection with these loans.

An early reply to this letter is requested.

Respectfully,

T. P. KANE, *Deputy Comptroller.*

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, October 25, 1901.

Mr. CHARLES C. GLOVER,
President, Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank made on the 14th instant, has been received, and has had careful consideration.

While the average reserve for 30 days preceding the examination was sufficient, there was a deficiency of \$85,608 on the day of the examination in the lawful money reserve. In this connection your attention is called to section 5191, United States Revised Statutes.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 28, third criticism of this borrower--	\$167,552.46	
Excess loan No. 28 (joint), third criticism of this borrower-----		100,000.00
		\$267,552.46
Excess loan No. 6, seventh criticism of this borrower-----		188,016.39
Excess loan No. 8, sixth criticism of this borrower-----		154,079.68
Excess loan No. 10, eighth criticism of this borrower-----		146,573.70
Excess loan No. 22, fifth criticism of this borrower-----	60,368.75	
Excess loan No. 22 (et al.), fifth criticism of this borrower-----		60,000.00
		120,368.75
Excess loan No. 12, eighth criticism of this borrower-----		108,848.00
Excess loan No. 9, fifth criticism of this borrower-----	42,000.00	
Excess loan No. 9 (firm), fifth criticism of this borrower-----		63,000.00
		105,000.00
Excess loan No. 24, fourth criticism of this borrower-----		100,000.00
Excess loan No. 18, fifth criticism of this borrower-----		92,000.00
Excess loan No. 16, fifth criticism of this borrower-----		75,000.00
Excess loan No. 26, fourth criticism of this borrower-----		71,775.66
Excess loan No. 21, fourth criticism of this borrower-----		70,000.00
Excess loan No. 23, second criticism of this borrower-----		67,505.49
Excess loan No. 33, first criticism of this borrower-----		65,939.37
Excess loan No. 34, first criticism of this borrower-----		65,500.29
Excess loan No. 30, second criticism of this borrower-----		65,000.00
Excess loan No. 35, first criticism of this borrower-----		61,600.00
Excess loan No. 31, second criticism of this borrower-----		60,000.00
Excess loan No. 25, third criticism of this borrower-----		56,351.25
Excess loan No. 2, eighth criticism of this borrower-----		54,600.03
Excess loan No. 27, second criticism of this borrower-----		54,000.00

The examiner reports various loans aggregating \$203,700 secured by notes as collateral which are in turn secured by real estate. Reference is made to what was said upon loans of this character in office letter of May 9, 1901, in

which it is held these loans are in contravention of section 5137, United States Revised Statutes.

No reply has been received to the last office letter addressed to your bank, regarding its condition as shown by the examiner's report at that time, and an early reply to this letter is requested,

Respectfully,

WM. B. RIDGELEY, *Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.

Washington, D. C., October 23, 1901.

The honorable the COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: We have to acknowledge the receipt of your letter of the 25th instant, and, also, in due course, your letter of May 9 last. We note the contents of these two letters and beg leave to say that they will have respectful attention.

The number of loans made secured by notes—themselves secured by real estate mortgages—has largely decreased since the last examination by the bank examiner, and it is our policy to reduce the amount as much as possible. These loans are only made to our best borrowers and upon ample security. The deficiency in cash on the day the bank examiner called only existed for that day. The reserve in bank and with reserve agents is constantly largely in excess of the requirements of the statute.

Very respectfully,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,

OFFICE OF THE COMPTROLLER OF THE TREASURY,

Washington, May 1, 1902.

Mr. CHARLES C. GLOVER,

President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank, made on the 22d ultimo, has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 6, eighth criticism of this borrower.....	\$265,016.39
Excess loan No. 8, seventh criticism of this borrower.....	189,937.18
Excess loan No. 18, sixth criticism of this borrower.....	153,500.00
Excess loan No. 10, ninth criticism of this borrower.....	145,573.70
Excess loan No. 22, sixth criticism of this borrower.....	120,368.75
Excess loan No. 12, ninth criticism of this borrower.....	115,098.00
Excess loan No. 36, first criticism of this borrower.....	114,970.00
Excess loan No. 2, ninth criticism of this borrower.....	114,520.34
Excess loan No. 32, second criticism of this borrower.....	111,368.65
Excess loan No. 24, fifth criticism of this borrower.....	100,000.00
Excess loan No. 21, fifth criticism of this borrower.....	97,000.00
Excess loan No. 37, first criticism of this borrower.....	90,368.75
Excess loan No. 31, third criticism of this borrower.....	80,000.00
Excess loan No. 16, sixth criticism of this borrower.....	75,000.00
Excess loan No. 26, fifth criticism of this borrower.....	72,004.60
Excess loan No. 38.....	67,225.00
Excess loan No. 33, second criticism of this borrower.....	62,320.25
Excess loan No. 35, second criticism of this borrower.....	61,600.00
Excess loan No. 35, third criticism of this borrower.....	59,457.25
Excess loan No. 25, fourth criticism of this borrower.....	56,351.25

The bank has made investment in stock of other corporations as follows:

601 shares of Capital Traction Co.....	\$59,895.25
350 shares of Arlington Fire Insurance Co.....	7,000.00
500 shares Columbia Fire Insurance Co.....	2,500.00
100 shares National Union Fire Insurance Co.....	500.00
290 shares Peoples Fire Insurance Co.....	1,450.00
500 shares Riggs Fire Insurance Co.....	2,500.00
1,757 shares Columbia Title Insurance Co.....	8,697.15
32 shares Real Estate Title Insurance Co.....	2,880.00
63 shares Pennsylvania Telephone Co.....	1,911.13
112 shares Washington Gas Light Co.....	3,035.37

NOMINATION OF JOHN SKELTON WILLIAMS.

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THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 19, 1902.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I hand you herewith a statement of the condition of the Riggs National Bank of Washington, D. C., at the close of business September 15, 1902, as per your call.

I beg leave to call your attention to the fact that while the reserve in bank was low on that date, it has since and is now above the lawful requirement.

Very respectfully,

ARTHUR T. BRICE,
Cashier.

TREASURY DEPARTMENT, OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, October 27, 1902.

Mr. CHARLES C. GLOVER,
President The Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank, made on the 20th instant, has been received, and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 39, first criticism of this borrower-----	\$236, 130. 93
Excess loan No. 6, ninth criticism of this borrower-----	205, 016. 39
Excess loan No. 8, eighth criticism of this borrower-----	165, 937. 18
Excess loan No. 18, seventh criticism of this borrower-----	153, 500. 00
Excess loan No. 10, tenth criticism of this borrower-----	140, 573. 70
Excess loan No. 22, seventh criticism of this borrower-----	130, 368. 75
Excess loan No. 21, sixth criticism of this borrower-----	115, 750. 00
Excess loan No. 40, sixth criticism of this borrower-----	111, 368. 65

You are respectfully advised that the United States Supreme Court in the case of California National Bank v. Kennedy (167 U. S., 362), decided that—

“The power to purchase or deal in stock of another corporation is not expressly conferred upon national banks, nor is it an act which may be exercised as incidental to the powers expressly conferred. A dealing in stocks is consequently an ultra vires act and being such it is without efficacy.”

As such investments can not be lawfully made by a national bank, these stocks should be disposed of.

Loans amounting to \$211,929.58 are secured by collateral notes which are in turn secured by real estate. Your attention is again called to section 5137, United States Revised Statutes, which prohibits national banks from making loans on real estate security, and this prohibition applies to loans made indirectly upon real estate security as much as to those made directly on such security. As these loans are made in contravention of law they should be disposed of.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington, D. C., May 2, 1902.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have your letter of the first instant and note its several contents. The matters referred to in your letter will have our attention.

Very respectfully,

CHAS. C. GLOVER,
President.

NOMINATION OF JOHN SKELTON WILLIAMS.

Excess loan No. 41.....	\$100,000.00
Excess loan No. 31, fourth criticism of this borrower.....	80,000.00
Excess loan No. 16, seventh criticism of this borrower.....	75,000.00
Excess loan No. 2, tenth criticism of this borrower.....	75,662.12
Excess loan No. 25, fifth criticism of this borrower.....	68,002.50
Excess loan No. 26, sixth criticism of this borrower.....	67,485.52
Excess loan No. 35, third criticism of this borrower.....	61,600.00
Excess loan No. 36, second criticism of this borrower.....	58,500.00
Excess loan No. 33, third criticism of this borrower.....	54,931.50
Excess loan No. 30, fourth criticism of this borrower.....	65,457.25

The bank is still carrying a large number of loans, amounting to \$179,457.65, for which real estate notes have been accepted as collateral security. These loans should be disposed of, as these loans were made in contravention of section 5137, United States Revised Statutes, which prohibits national banks from making loans on real estate security.

The bank owns stocks of other corporations which were purchased as investments. These stocks should be disposed of as such investment can not be lawfully made by a national bank.

An early reply to this letter is requested.

Respectfully,

P. T. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington D. C., October 31, 1902.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We have your letter of the 27th instant and we note the contents. In reply thereto, we beg to say that the comments which you make will have due note and attention.

Very respectfully,

ARTHUR T. BRICE, Cashier.

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., December 4, 1902.

Mr. C. C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: Upon examination of your report of condition for November 25, 1902, it is found that while there was an excess due from reserve agents over the amount which can be counted as lawful money reserve, there was a deficiency of \$141,100 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., December 5, 1902.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of December 4 is received and contents duly noted. In reply thereto, we beg to say that the deficiency in our lawful money reserve was

but temporary, due to the necessity for accumulating a large amount of reserve with our New York agents. The amount has since been, and is now, above the legal requirement.

Very respectfully,

CHAS. C. GLOVER, *President.*

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 13, 1903.

Mr. C. C. GLOVER,
President Riggs National Bank,
Washington, D. C.

Sir: Upon examination of your report of condition for February 6, 1903, it is found that while there was an excess due from reserve agents over the amount which can be counted as lawful money reserve, there was a deficiency of \$66,200 in the amount required to be kept in the bank.

You are respectfully referred to Sections 5192 and 5195, United States Revised Statutes which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectively,

T. P. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., February 16, 1903.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

Sir: Your letter of the 13th instant, calling our attention to a deficiency in the amount of lawful reserve in bank on February 6, has been received. In reply, we beg to say that the deficiency was more than made up on the 9th instant, when we had in the bank an excess over the amount required.

On the date named in your letter, we had with our reserve banks a total credit balance of \$1,406,000—nearly double the amount required by law; and our shortage of cash in bank was due to Treasury deposits for account of our corresponding banks.

Very respectfully,

CHAS. C. GLOVER, *President.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, April 15, 1903.

Mr. ARTHUR T. BRICE,
Cashier Riggs National Bank,
Washington, D. C.

Sir: Upon examination of the report of condition of your bank for April 9, 1903, it is found that the liabilities of the bank for United States bonds borrowed amounted to \$3,100,000, an amount greatly in excess of the capital stock.

Your attention is called to section 5202, United States Revised Statutes, which prescribed that—

"No association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in" except on account of certain demands therein named.

The above liabilities should therefore be reduced to the lawful limit without delay. You are requested to advise this office when this has been done.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., April 17, 1903.

The Hon. the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Acknowledging your letter of the 15th instant, calling the attention of this bank to section 5202, United States Revised Statutes, with reference to item of \$3,100,000 United States bonds borrowed, which represent an amount in excess of the capital stock, I have the honor to write that the matter will be adjusted within the course of two or three days to the satisfaction of the office of the Comptroller of the Currency.

Your attention is called to the fact that \$100,000 in United States bonds have already been withdrawn as security for deposits, leaving the amount now pledged at \$3,000,000.

Very respectfully,

ARTHUR T. BRICE, *Cashier.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, April 27, 1903.

MR. CHARLES C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank made on the 20th inst. has been received, and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, ninth criticism of this borrower	\$185,937.18	
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00	
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00	
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00	
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00	
Excess loan No. 8 (accommodation for G. T. D.) ninth criticism	50,000.00	
		\$415,937.18
Excess loan No. 42	300,000.00	
Excess loan No. 43	300,000.00	
Excess loan No. 44	250,000.00	
Excess loan No. 39, second criticism of this borrower	236,130.98	
Excess loan No. 6, ninth criticism of this borrower	205,000.00	
Excess loan No. 45	200,000.00	
Excess loan No. 36, third criticism of this borrower	159,775.00	
Excess loan No. 18, eighth criticism of this borrower	153,500.00	
Excess loan No. 22, eighth criticism of this borrower	50,000.00	
Excess loan No. 22 (accommodation) eighth criticism of this borrower	10,368.75	
Excess loan No. 22 (et al.) eighth criticism of this borrower	70,000.00	
		130,368.75
Excess loan No. 10, eleventh criticism of this borrower		129,573.70
Excess loan No. 28, fourth criticism of this borrower	60,000.00	
Excess loan No. 28 (cash item) fourth criticism of this borrower	62,062.50	
		122,062.50
Excess loan No. 2, eleventh criticism of this borrower		116,027.03
Excess loan No. 32, third criticism of this borrower		113,793.24

Included in the excessive loan to ——— (excess loan No. 8), are five loans to employees of the bank for \$50,000 each, which loans are secured by 420 shares each of the stock of the Capital Traction Co. owned by Mr. ——— and were made for his benefit. These loans in addition to constituting an excessive loan

to Mr. ———, which should be reduced to the lawful limit, are regarded as insufficiently secured, the makers of the notes being financially irresponsible and the margin on the stock insufficient.

The bank has purchased stocks of various other corporations. You are again reminded that these stocks should be disposed of as such investments can not be lawfully made by a national bank.

Loan aggregating \$167,267.99, made by the bank, are secured by real estate notes held as collateral. Attention is again called to the fact that these loans should be disposed of, as section 5137, United States Revised Statutes, prohibits national banks from making loans on real estate security.

A number of irregular items are reported carried in the cash in the form of shares of stock, bonds, notes, etc. These items should be eliminated and charged to their proper accounts and the practice of carrying such items in this account as active cash should be discontinued.

It appears from the examiner's report that the bank is engaged in the business of buying and selling stocks and bonds on commission.

In this connection, your attention is invited to section 5136, United States Revised Statutes, which enumerates the general powers of a national banking association and to the decisions of the courts that banks can exercise only such powers as are expressly granted and those necessarily incidental to the business of banking. It is ultra vires, therefore, of a national bank to deal in stocks or to act as a broker or agent in the purchase of bonds or stocks.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,

Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,

Washington, D. C., April 30, 1908.

The honorable the COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: Your letter of the 22d instant is received and contents duly noted. Replying thereto, I beg leave to say that Mr. ——— (excess loan No. 8) is a gentleman of large fortune and responsibility, and upon his return to Washington, in a few days, I will see that additional security is taken from him to cover the loans mentioned.

In regard to the loans covered by real estate notes as collateral, I beg leave to say that we are gradually reducing this amount of security. This class of security is not taken by us as a matter of necessity, but as an additional security in nearly every instance. When we make a loan secured by real estate notes, the borrower is considered to be of good standing and credit, and in the great majority of cases, we should loan the money without other security than his notes of hand, based on personal holdings of real estate or other property.

The bank is not engaged in the buying and selling of stocks, bonds, etc., on its own account. Two of the officers here are members of the local board and their services are given for the purchase and sale of securities which are ordered by our depositors from time to time, and the commissions from such transactions are credited to the commission account of the bank. This service has become incidental to our deposit business and is necessary, in order to accommodate the demands of our depositors and clients.

The items temporarily held in the cash for stocks, bonds, etc., are held there for a short time only, awaiting a check for the purchase, or, in cases of regular local sales, settlement from the brokers who call to take them up after 24 hours, under the rules of the Stock Exchange.

The writer has called in person to explain to your office a number of the details referred to in your letter, which he does not think necessary to repeat in this letter.

Very respectfully,

CHAS. C. GLOVER,

President.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 13, 1903.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Replying to your letter of June 12, I beg leave to say that the matter referred to therein will have attention.

Very respectfully,

CHAS. C. GLOVER,
President.

NOTE.—Department files indicate that on June 12, 1903, Riggs National Bank was written in connection with a deficiency of \$149,332 in their cash reserve as shown by report of condition June 9, 1903.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, November 19, 1903.

Mr. C. C. GLOVER,
President Riggs National Bank,
Washington, D. C.

SIR: The report of an examination of your bank made on the 9th instant has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 46.....	\$400,000.00
Excess loan No. 47, first criticism of this borrower.....	400,000.00
Excess loan No. 8, tenth criticism of this borrower.....	315,937.18
Excess loan No. 39, third criticism of this borrower.....	236,130.98
Excess loan No. 48.....	200,000.00
Excess loan No. 49.....	200,000.00
Excess loan No. 28, fifth criticism of this borrower.....	188,187.50
Excess loan No. 6, tenth criticism of this borrower.....	175,000.00
Excess loan No. 18, ninth criticism of this borrower.....	152,500.00
Excess loan No. 50.....	150,000.00
Excess loan No. 10, twelfth criticism of this borrower.....	133,573.70
Excess loan No. 51.....	125,000.00
Excess loan No. 22, ninth criticism of this borrower.....	120,368.75
Excess loan No. 52.....	117,293.24
Excess loan No. 36, fourth criticism of this borrower.....	100,800.00

You are again reminded that the stocks purchased for investment should be disposed of, as such investments can not be lawfully made by a national bank.

Loans aggregating \$173,277.65, made by the bank, are secured by real-estate mortgages held as collateral. Section 5137, United States Revised Statutes, prohibits national banks from making loans on real-estate security. These loans should therefore be disposed of.

The board of directors have only held three meetings since the last examination, the loans and discounts are not approved by them, all loans being made by the officers.

In order to fulfill the obligations imposed upon them by law and their oaths of office, the directors should hold regular meetings as a board at least once a month, at which they should examine and approve all loans and discounts and advise themselves as to the condition of the bank.

An early reply to this letter is requested.

Respectfully,

WM. B. RIDGELY, Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., Nov. 20, 1903.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 19th instant has been received.

In regard to the excess loans referred to, the larger volume of them are in New York call loans, secured by the best approved collaterals, and are made from our reserve funds there.

It is not our custom to make loans directly on real estate security. We are carrying temporarily some loans secured by notes which, in turn, are secured by deed of trust on real property. In all such cases we depend upon the personal credit of the makers of the notes, in addition to the real security.

The other matters referred to in your letter will have due attention.

Very truly, yours,

CHAS. C. GLOVER, *President.*

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, April 29, 1904.

Mr. CHARLES C. GLOVER,

President the Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank made on the 25th instant has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, eleventh criticism of this borrower.....	\$315,937.18
Excess loan No. 47, second criticism of this borrower.....	800,000.00
Excess loan No. 53.....	250,000.00
Excess loan No. 39, fourth criticism of this borrower.....	236,13.98
Excess loan No. 54, first criticism of this borrower.....	200,000.00
Excess loan No. 6, eleventh criticism of this borrower.....	170,000.00
Excess loan No. 18, tenth criticism of this borrower.....	152,600.00
Excess loan No. 10, thirteenth criticism of this borrower.....	133,573.70
Excess loan No. 22, tenth criticism of this borrower.....	120,368.75
Excess loan No. 32, fourth criticism of this borrower.....	115,793.24

You are again reminded that the stocks of other corporations which were acquired as investments should be disposed of, as such investments can not be lawfully made by a national bank.

The examiner reports 46 loans aggregating \$134,402.65, for which real estate notes are held as collateral. You are again reminded that it is unlawful for a national bank to make loans of this character, and such loans should be disposed of and the practice of making them discontinued.

The examiner also reports the purchase and sale of stocks, bonds, etc., on commission. As heretofore advised it is ultra vires of a national bank to engage in this business, and this practice should also be discontinued.

A loss of \$2,671.48 is estimated on "bad debts" as defined by section 5204, United States Revised Statutes. All losses should be determined and promptly charged off.

An early reply to this letter is requested.

Respectfully,

WM. B. RIDGLEY,
Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., May 3, 1904.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of April 29, concerning the recent examination made by the bank examiner of the affairs of this bank, has been received. In reply, I beg leave to say that the various matters you mention shall have due attention.

Very respectfully,

CHAS. C. GLOVER,
President.

RESERVE IN BANK DEFICIENT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., June 16, 1904.

Mr. CHAS. C. GLOVER,

President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition for June 9, 1904, it is found that while there was an excess due from reserve agents over the amount

which can be counted as lawful money reserve, there was a deficiency of \$111,700 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 18, 1904.

THE COMPTROLLER OF THE CURRENCY,
Washington D. C.

SIR: Your communication of June 16, in relation to the deficiency in our cash reserve on June 9, has been received.

In reply thereto we beg leave to say that while our reserve was short on that day, it has since been made good. On the 18th instant our bank cash reserve was \$56,000 more than requirements.

Very respectfully,

ARTHUR T. BRICE, *Cashier*.

THE TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, October 22, 1904.

MR. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank made on the 18th instant has been received, and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, twelfth criticism of this borrower-----	\$315,937.18
Excess loan No. 39, fifth criticism of this borrower-----	237,230.98
Excess loan No. 54, second criticism of this borrower-----	200,000.00
Excess loan No. 6, twelfth criticism of this borrower-----	170,000.00
Excess loan No. 18, eleventh criticism of this borrower-----	152,500.00
Excess loan No. 10, fourteenth criticism of this borrower-----	133,573.70
Excess loan No. 22, eleventh criticism of this borrower-----	120,368.75
Excess loan No. 32, fifth criticism of this borrower-----	113,793.24
Excess loan No. 21, seventh criticism of this borrower-----	140,000.00

The stock purchased as an investment by your bank should be disposed of as it is unlawful for a national bank to purchase stock of other corporations as an investment.

As heretofore advised the bank exceeds its corporate powers in the purchase and sale of stocks, bonds, etc., on commission. This business is evidenced by the character of cash items, and the books of the bank which show commissions on sales and purchases of stocks and bonds, as well as on real estate loans negotiated. It is ultra vires of a national bank to traffic in stocks and bonds by buying and selling such securities on commission.

The items of stock purchased on account of customers, and interest due on demand loans, now carried in cash items account, should be transferred to the proper accounts without delay, and this use of cash items should be discontinued.

Loans aggregating \$99,052.65 are secured by real-estate notes. These loans should be disposed of as it is unlawful for a national bank to make loans on or to discount paper secured directly or indirectly by real estate.

There was a deficiency of \$131,985 in that portion of the lawful money reserve required to be kept on hand. In this connection attention is called to section 5191, United States Revised Statutes.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., October 24, 1904.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Your letter of the 22d instant has been received by me and contents duly noted.

With respect to the stock purchased as an investment for this bank, to which you invited my attention, I beg to say that we are disposing of it as rapidly as the same can be done consistent with best interests. To a very large extent, the stock referred to was inherited from the old firm of Riggs & Co.

With respect to commissions on sales and purchases of stocks and bonds, I beg to advise you that such commissions are really not charged by the bank. The old firm of Riggs & Co. owned seats on the stock exchange; those of our officers who were designated to hold them have, in consideration of loss of time to the bank, voluntarily turned over such commissions as they may have earned.

The other matters mentioned in your letter will have my attention.

Very respectfully,

CHAS. C. GLOVER,
President.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, May 3, 1905.

Mr. CHAS. C. GLOVER,
President, The Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank, made on the 25th ultimo, has been received, and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, thirteenth criticism of this borrower.....	\$365,482.79
Excess loan No. 39, sixth criticism of this borrower.....	237,230.98
Excess loan No. 55	200,000.00
Excess loan No. 6, thirteenth criticism of this borrower.....	170,000.00
Excess loan No. 18, twelfth criticism of this borrower.....	151,500.00
Excess loan No. 56, first criticism of this borrower.....	144,580.62
Excess loan No. 21, eighth criticism of this borrower.....	135,000.00
Excess loan No. 22, twelfth criticism of this borrower.....	120,368.75
Excess loan No. 10, fifteenth criticism of this borrower.....	115,000.00
Excess loan No. 32, sixth criticism of this borrower.....	109,793.24

No account should be undertaken by a national bank disproportionate to its capital stock, and while the financial responsibility of the above-named borrowers is not questioned, the loans should be reduced and kept within lawful and prudent limits.

While there was an excess due from approved reserve agents over the amount which may be counted as lawful money reserve, there was a deficiency of \$33,700 in that portion of the reserve which is required to be kept in the bank. In this connection attention is called to section 5191 United States Revised Statutes.

The unpaid interest items carried in the cash items account should be eliminated therefrom and charged to the proper accounts.

You are again reminded that the stocks of other corporations acquired by the bank as investments should be disposed of, as such investments can not be lawfully made by a national bank.

Forty-nine loans collateralized by real estate notes should be disposed of, as it is unlawful for a national bank to make loans on or purchase notes secured by real estate.

Ten shares of the bank's own stock are reported to be held as security to the loan of _____. Attention is called to section 5201, United States Revised Statutes, which prescribes that no association shall make any loan or discount upon the security of the shares of its own capital stock. The loan referred to should be disposed of or other security required.

The directors are requested to unite in making a prompt reply to this letter in detail over their individual signatures, stating that it has been read by them and what steps will be taken to correct the matters called to their attention. The directors should sign the detailed reply and not a separate letter attached thereto.

Respectfully,

T. P. KANE,
Deputy Comptroller.

NOMINATION OF JOHN SKELTON WILLIAMS.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., May 5, 1905.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We have the honor to acknowledge receipt of your letter of the 3d instant, calling attention to the report of the examination of this bank made on the 25th ultimo.

Referring to the excess loans set forth in your communication, you are advised that consideration will be given to their reduction as soon as the same is found to be practicable.

In reference to your notification that while there was an excess due from approved reserve agents over the amount which may be counted as lawful money reserve, there was a deficiency of \$33,700 in that portion of the reserve which is required to be kept in the bank; you are advised that such reserve was made good the day following your examination.

The unpaid interest items carried in our cash items account, which you request be eliminated therefrom and charged to the proper account, will receive our attention.

It is our intention to dispose of the stocks of other corporations acquired by the bank as investments.

With respect to loans secured by real estate notes, we beg leave to say that these are primarily single-named paper, and such loans are made exclusively to depositors who own the notes secured by real estate and have the same deposited with us for collection. These borrowers are parties of unquestioned responsibility and their single-name paper would suffice for their loans, which are always of a temporary character, the real estate investments which they have with us being noted as collateral merely by way of precaution.

In regard to the 10 shares of the bank's own stock held as collateral for loan to ———, you are advised that such is not so held. The loan was made to ——— upon the indorsement of his brother, and the note itself makes no reference to any collateral. While it is true that we hold 10 shares of the bank's stock, standing in the name of ———, in the vault, these shares have never been put up as collateral.

We, the undersigned, directors of the Riggs National Bank of Washington, D. C., have read the letter of the Comptroller of the Currency addressed to Mr. Charles C. Glover, president of this bank, dated May 3, 1905:

CHARLES C. GLOVER.
 JAMES STILLMAN.
 F. A. VANDERLIP.
 ARTHUR T. BRICE.
 WILLIAM J. FLATHER.
 H. HUNT.

J. R. McLEAN.
 R. ROSS PERRY.
 M. E. AILES.
 THOMAS HYDE.
 JAMES M. JOHNSTON.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., May 15, 1905.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I have the honor to hand you herewith, in reply to your communication of the 3d instant, a letter which has been signed by 10 of our directors and which I understand to be in compliance with your instructions. The remaining two directors, Mr. Thomas F. Walsh and Mr. James M. Johnston, are in Europe, and therefore beyond reach. I have no doubt they will be pleased to sign a communication addressed to you, of similar purport to the one now inclosed. upon their return.

Respectfully, yours,

CHAS. C. GLOVER, *President.*

TREASURY DEPARTMENT,
 COMPTROLLER OF THE CURRENCY,
Washington, December 1, 1905.

Mr. CHARLES C. GLOVER,
President the Riggs National Bank, Washington, D. C.:

The report of an examination of your bank made on the 20th ultimo has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 8, fourteenth criticism of this borrower-----	\$366, 482. 79
Excess loan No. 39, seventh criticism of this borrower-----	243, 169. 03
Excess loan No. 57-----	238, 000. 00
Excess loan No. 6, fourteenth criticism of this borrower-----	170, 000. 00
Excess loan No. 18, thirteenth criticism of this borrower-----	159, 384. 20
Excess loan No. 22, thirteenth criticism of this borrower-----	125, 368. 75
Excess loan No. 58-----	125, 000. 00
Excess loan No. 32, seventh criticism of this borrower-----	118, 000. 00
Excess loan No. 10, sixteenth criticism of this borrower-----	115, 000. 00
Excess loan No. 21, ninth criticism of this borrower-----	110, 000. 00
Excess loan No. 56, second criticism of this borrower-----	107, 788. 75

With two exceptions, these accounts were all excessive at the time of the preceding examination. You were then required to reduce them to the legal limit. They remain practically the same as before. The accommodation extended (excess loan No. 8) is not only excessive but is out of proportion to the capital of your bank. They should all be reduced to the lawful limit without unnecessary delay.

Effort should be continued to dispose of the 59 loans which are secured by real estate notes held as collateral, as it is unlawful for a national bank to make loans on or to purchase paper secured by real estate in any form.

It is again suggested that the directors at their monthly meetings approve all loans and not only the ones exceeding the lawful limit.

It is noted that a large number of shares of various corporations are still carried. These should be disposed of as soon as possible, as it is unlawful for a national bank to invest in the shares of stock of other corporations.

The directors are requested to unite in making a prompt reply to this letter in detail over their individual signatures, stating that they have read the letter and what steps will be taken to correct the matters called to their attention herein. The directors should sign the detailed reply and not a separate letter attached thereto.

Respectfully,

WM. B. RIDGELY, *Comptroller.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., December 8, 1905.

HON. WILLIAM B. RIDGELY,
Comptroller of the Currency, Washington, D. C.

DEAR SIR: We are in receipt of your letter of the 1st instant calling attention to the report of the examination of the Riggs National Bank, of Washington, D. C., made on the 20th ultimo.

We note what you say with reference to excess loans and have taken steps to comply with your request in this respect.

Loans secured by real estate notes, to which you refer, we will endeavor to dispose of as soon as the same can be done. In this connection it may be said, however, that the loans are good in each instance without the real estate notes which we hold as collateral. The latter may be properly regarded as incidental security.

A list of all loans will be submitted to the directors at monthly meetings, as suggested by you.

We note what you say with reference to shares of stock of various corporations owned by this bank. In compliance with your former request, we have practically closed out our stocks, and the rest will be disposed of as soon as practicable. Some of the stocks referred to were taken over from the old firm of Riggs & Co. in liquidation.

We have read the letter of the Comptroller of the Currency dated December 1, 1905, to which this is a reply.

Very respectfully,

CHAS. C. GLOVER.
ARTHUR T. BRICE.
M. E. AILES.
H. HURT.
J. R. MCLEAN.
JAMES M. JOHNSTON.

THOS. HYDE.
WM. J. FLATHER.
R. ROSS PERRY.
THOMAS F. WALSH.
JAS. STILLMAN.
F. A. VANDERLIP.

RESERVE IN BANK DEFICIT.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., February 2, 1906.

MR. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition for January 29, 1906, it is found that while there was an excess due from reserve agents over the amount which could be counted as lawful reserve, there was a deficiency of \$63,400 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribes that the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

You are hereby notified to make the lawful money reserve of your bank good without delay and to advise this office when this has been done.

Respectfully,

T. P. KANE, *Deputy Comptroller*

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, June 6, 1906.

MR. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: The report of an examination of your bank made on the 22d ultimo has been received and has had careful consideration.

The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes:

Excess loan No. 21, tenth criticism of this borrower	\$110,000.00
Excess loan No. 6, fifteenth criticism of this borrower	\$100,000
Excess loan No. 6 (et al.) fifteenth criticism of this borrower	50,000
	150,000.00
Excess loan No. 56, third criticism of this borrower	142,263.75
Excess loan No. 59	200,000.00

Three or these loans were excessive at the time of the last examination, when you were instructed to reduce them.

The loans to Mr. ———, Mr. ———, Miss ———, and Mr. ———, which were reported as excessive at the time of the previous examination, have still the appearance of excessive loans split up into accommodation notes for amounts within the limit, the aggregate still remaining about the same. If these notes are accommodation notes made for the benefit of any one borrower, they should be included with the borrower's liability in fixing the limit, as it is unlawful to evade the statute by indirect methods.

The stocks of the Columbia Title Insurance Co., Pennsylvania Telegraph Co., Peoples Insurance Co., and the Real Estate Insurance Co., heretofore carried by the bank in bonds, securities, claims, etc., appear to be still owned by the bank in the form of collateral for a loan of \$11,039.88 to one of the employees of the bank. The transfer of these securities to loans and discounts is not a disposition of these stocks. They should be restored to the account of bonds, securities, claims, etc., and be so carried until regularly disposed of.

Effort to dispose of the loans secured by real estate should be continued. In this connection you are referred to office letter of December 1, 1905.

The directors are requested to unite in making a prompt reply to this letter in detail over their individual signatures, stating that they have read the letter and what steps will be taken to correct the matters called to their attention herein.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

NOMINATION OF JOHN SKELTON WILLIAMS.

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THE TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, June 7, 1906.

MR. CHARLES C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Referring to office letter of the 6th instant, based upon the last report of examination of your bank, and to your personal explanation of matters referred to therein, a written reply over your signature as president will be accepted as a sufficient answer to the letter and a board reply will not be required in this instance.

Respectfully,

T. P. KANE,
Deputy Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.
Washington, D. C., June 11, 1906.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: I am in receipt of your two letters of the 6th and 7th instant, relative to the report of an examination of this bank made on the 22d ultimo.

I note your mention of an excess loan to Messrs. ——— (excess loan No. 21), carried by us at \$110,000, or \$10,000 more than the present authorized limit. The loan of \$142,263.75 to ——— (excess loan No. 56) you also place in this class. The latter loan has been materially reduced since the date of the report. These loans, while adequately secured and but slightly in excess, will be placed within the limit.

It is noted also that you class as in excess the loans to ——— (excess loan No. 6), one for \$100,000 and the other for \$50,000, making a total of \$150,000. With respect to the loan of \$50,000, it may be said that Gen. Woodhull is joint maker of a note for \$50,000 along with 14 other persons, most of whom are worth considerably more than the principal of the note.

I note further that you class a deposit of \$200,000 with the ——— (excess loan No. 59) as a loan. We have an account with the ——— (excess loan No. 59), as we have with other trust companies in this city, and the amount in question represents a deposit and not a loan.

With respect to the other questions raised by your letter, I beg to say that I have called personally at your office and gone over them with the deputy comptroller. It ought to be said, however, in this reply, that the statement which is made in your letter, that the loans reported as excessive at the time of the previous examination "have still the appearance of excessive loans split up into accommodation notes for amounts within the limit," is hardly justified by the facts as explained to the deputy comptroller.

The few remaining loans that we have, secured by real estate notes as collateral, will be disposed of as rapidly as possible.

Respectfully, yours,

CHAS. C. GLOVER, *President.*

RESERVE IN BANK DEFICIENT.

THE TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D. C., September 17, 1906.

MR. C. C. GLOVER,
President Riggs National Bank, Washington, D. C.

SIR: Upon examination of your report of condition for September 4, 1906, it is found that while there was an excess due from reserve agents over the amount which can be counted as lawful money reserve, there was a deficiency of \$1,850 in the amount required to be kept in the bank.

You are respectfully referred to sections 5192 and 5195, United States Revised Statutes, which prescribe that of the reserve required to be held by banks of the 15 per cent class, three-fifths may consist of balances due from approved reserve agents, leaving two-fifths to be held in bank; and of that required to be held by banks of the 25 per cent class, one-half may consist of balances due from approved reserve agents, leaving one-half to be held in bank.

lateral or otherwise, and it has been our understanding that we could purchase notes of this character in amounts as desired, without running counter to the wishes of the comptroller.

Very respectfully,

M. E. AILES, V. P.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., January 31, 1908.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We understand that the National City Bank of New York will to-day deposit with the Subtreasury at New York the sum of \$1,389,000 in lawful money for the retirement of a like amount of its circulation.

It is to deposit also tomorrow, the 1st proximo, with the assistant treasurer at New York the sum of \$146,000 as additional retirement, making a total of \$1,535,000.

We inclose you herewith Treasurer's receipt covering \$1,535,000 United States 3 per cent bonds of 1908-1918, which please release from the circulation account of the National City Bank of New York and transfer to the depository account of that bank to effect the release of other bonds.

Respectfully,

M. E. AILES, Vice President.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, February 25, 1908.

DEAR MR. SECRETARY: I now have \$100,000 in notes of the National City Bank, held in the Office of the Comptroller of the Currency, which that bank desires to have canceled.

As I leave for New York at 4 o'clock this afternoon, I would appreciate it very much if you would see the Comptroller of the Currency about this retirement in sufficient time to let me know your decision about having the circulation retired.

I am told by Mr. Rogers, Chief of the Redemption Division, that there is no doubt as to the validity of the method, and it has been practiced by banks ever since the beginning of the national banking system. In fact, the matter is in such shape that an ordinary application to effect a retirement in this way would go through as a matter of course, except that I do not want to make any retirement of circulation which does not meet with the approval of the Secretary of the Treasury.

Since dictating the foregoing, I learn that you may not be in your office until late this afternoon. As I will be at the National City Bank, New York, tomorrow, will you kindly, therefore, have Mr. Ridgely wire me there as to your decision in this matter?

Very sincerely, yours,

M. E. AILES.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, June 24, 1908.

PRESIDENT THE RIGGS NATIONAL BANK,
Washington, D. C.

SIR: The report of an examination of your bank made on the 2d instant has been received and has had careful consideration.

The lawful money reserve was deficient \$94,640 on the day the examination commenced, but is reported to have been made good the following day. The lawful reserve should be maintained at all times.

Fourteen loans are reported as secured by real estate notes as collateral. You are again reminded that the loans secured by real estate must be disposed of and the practice of acquiring such assets should be discontinued, as it is unlawful for a national bank to make loans on or discount paper secured by real estate in any form.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 25, 1908.

Hon. T. P. KANE,

Deputy and Acting Comptroller of the Currency, Washington, D. C.

SIR: Referring to your favor of the 24th instant, we beg to say that the deficiency in our lawful money reserve of \$94,640, on the 2d instant, was due to the extraordinarily heavy demands made upon us by the collector of taxes. On the following day the amount was promptly made good as reported by the bank examiner.

As to the loans secured by real estate notes, we beg to advise you that we are gradually reducing the number of these loans, and will endeavor to eliminate them entirely in the near future.

Very respectfully,

WM. J. FLATHER, *Vice President.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., July 18, 1908.

The Honorable the COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: We have the honor to hand you herewith our statement of condition at the close of business the 15th day of July, 1908. Your special attention is directed to the figures relating to our reserve, from which it appears that while the aggregate was 38½ per cent, yet the actual cash on hand was only 10½ per cent against the required reserve in cash of 12½ per cent. On the following day, and, in fact, ever since, we have been well above our reserve requirements in cash, but we wish to advise you that the temporary reduction in cash below the required amount was occasioned by large and excessive deposits made at the Treasury on the 15th instant, the very day to which your call related. These deposits were made for various banks on account of transfer of funds, covering the return of public deposits which the Secretary of the Treasury required to be transferred on the 15th instant.

Very respectfully, yours,

M. E. AILES, *Vice President.*

CRITICISMS BY EXAMINERS, 1908-1913.

The files of the comptroller's bureau show that in pursuance of the policy adopted in 1908 by Comptroller Murray, the practice of writing letters of criticism to national banks after each examination was suspended, and the national-bank examiners were thereafter supposed to make their criticisms direct to the officers or directors of the bank at the time of each examination without having these subjects of censure followed up by formal admonitions from the Treasury Department.

The reports of examiners submitted to the comptroller by the national-bank examiners after each examination of the Riggs National Bank, however, showed that these direct criticisms from the examiner were no more effective than letters from the Comptroller of the Currency had been. The bank continued to violate the law and the regulations of the comptroller's bureau, as is convincingly shown by the following excerpts from the reports of national-bank examiners and disclosures revealed by these reports as to the bank's operations after each semiannual examination of the bank between 1908 and 1912:

In the examination of June, 1908: Examiner Owen T. Reeves, jr., reported the bank short in reserve, \$94,640; real-estate loans and stocks unlawfully held; bank carrying loans to both vice presidents, cashier, ladies' teller, exchange teller, and note teller; also loan of \$25,000 to the wife of President Glover. The loans to the two vice presidents and the cashier at that time exceeded \$100,000. Stocks irregularly carried as cash, \$15,752; overdrafts, \$13,757; 111 accounts overdrawn.

Examination of May, 1909: Examiner Owen T. Reeves, jr., reported the bank's cash reserve short \$32,745. Bank was still making large loans to executive officers and employees, including, as analysis of list of large loans shows, "dummy" loans; still carrying stocks contrary to law; attention again called to the bank's irregular real-estate and stock-brokerage business.

lateral or otherwise, and it has been our understanding that we could purchase notes of this character in amounts as desired, without running counter to the wishes of the comptroller.

Very respectfully,

M. E. AILES, V. P.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., January 31, 1908.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We understand that the National City Bank of New York will to-day deposit with the Subtreasury at New York the sum of \$1,389,000 in lawful money for the retirement of a like amount of its circulation.

It is to deposit also tomorrow, the 1st proximo, with the assistant treasurer at New York the sum of \$146,000 as additional retirement, making a total of \$1,535,000.

We inclose you herewith Treasurer's receipt covering \$1,535,000 United States 3 per cent bonds of 1908-1918, which please release from the circulation account of the National City Bank of New York and transfer to the depository account of that bank to effect the release of other bonds.

Respectfully,

M. E. AILES, Vice President.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, February 25, 1908.

DEAR MR. SECRETARY: I now have \$100,000 in notes of the National City Bank, held in the Office of the Comptroller of the Currency, which that bank desires to have canceled.

As I leave for New York at 4 o'clock this afternoon, I would appreciate it very much if you would see the Comptroller of the Currency about this retirement in sufficient time to let me know your decision about having the circulation retired.

I am told by Mr. Rogers, Chief of the Redemption Division, that there is no doubt as to the validity of the method, and it has been practiced by banks ever since the beginning of the national banking system. In fact, the matter is in such shape that an ordinary application to effect a retirement in this way would go through as a matter of course, except that I do not want to make any retirement of circulation which does not meet with the approval of the Secretary of the Treasury.

Since dictating the foregoing, I learn that you may not be in your office until late this afternoon. As I will be at the National City Bank, New York, tomorrow, will you kindly, therefore, have Mr. Ridgely wire me there as to your decision in this matter?

Very sincerely, yours,

M. E. AILES.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, June 24, 1908.

PRESIDENT THE RIGGS NATIONAL BANK,
Washington, D. C.

SIR: The report of an examination of your bank made on the 2d instant has been received and has had careful consideration.

The lawful money reserve was deficient \$94,640 on the day the examination commenced, but is reported to have been made good the following day. The lawful reserve should be maintained at all times.

Fourteen loans are reported as secured by real estate notes as collateral. You are again reminded that the loans secured by real estate must be disposed of and the practice of acquiring such assets should be discontinued, as it is unlawful for a national bank to make loans on or discount paper secured by real estate in any form.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 25, 1908.

Hon. T. P. KANE,

Deputy and Acting Comptroller of the Currency, Washington, D. C.

SIR: Referring to your favor of the 24th instant, we beg to say that the deficiency in our lawful money reserve of \$94,640, on the 2d instant, was due to the extraordinarily heavy demands made upon us by the collector of taxes. On the following day the amount was promptly made good as reported by the bank examiner.

As to the loans secured by real estate notes, we beg to advise you that we are gradually reducing the number of these loans, and will endeavor to eliminate them entirely in the near future.

Very respectfully,

WM. J. FLATHER, *Vice President.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., July 18, 1908.

The Honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We have the honor to hand you herewith our statement of condition at the close of business the 15th day of July, 1908. Your special attention is directed to the figures relating to our reserve, from which it appears that while the aggregate was 38½ per cent, yet the actual cash on hand was only 10½ per cent against the required reserve in cash of 12½ per cent. On the following day, and, in fact, ever since, we have been well above our reserve requirements in cash, but we wish to advise you that the temporary reduction in cash below the required amount was occasioned by large and excessive deposits made at the Treasury on the 15th instant, the very day to which your call related. These deposits were made for various banks on account of transfer of funds, covering the return of public deposits which the Secretary of the Treasury required to be transferred on the 15th instant.

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M. E. AILES, *Vice President.*

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The files of the comptroller's bureau show that in pursuance of the policy adopted in 1908 by Comptroller Murray, the practice of writing letters of criticism to national banks after each examination was suspended, and the national-bank examiners were thereafter supposed to make their criticisms direct to the officers or directors of the bank at the time of each examination without having these subjects of censure followed up by formal admonitions from the Treasury Department.

The reports of examiners submitted to the comptroller by the national-bank examiners after each examination of the Riggs National Bank, however, showed that these direct criticisms from the examiner were no more effective than letters from the Comptroller of the Currency had been. The bank continued to violate the law and the regulations of the comptroller's bureau, as is convincingly shown by the following excerpts from the reports of national-bank examiners and disclosures revealed by these reports as to the bank's operations after each semiannual examination of the bank between 1908 and 1912:

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Examination of May, 1909: Examiner Owen T. Reeves, jr., reported the bank's cash reserve short \$32,745. Bank was still making large loans to executive officers and employees, including, as analysis of list of large loans shows, "dummy" loans; still carrying stocks contrary to law; attention again called to the bank's irregular real-estate and stock-brokerage business.

lateral or otherwise, and it has been our understanding that we could purchase notes of this character in amounts as desired, without running counter to the wishes of the comptroller.

Very respectfully,

M. E. AILES, V. P.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., January 31, 1908.

The honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We understand that the National City Bank of New York will to-day deposit with the Subtreasury at New York the sum of \$1,389,000 in lawful money for the retirement of a like amount of its circulation.

It is to deposit also tomorrow, the 1st proximo, with the assistant treasurer at New York the sum of \$146,000 as additional retirement, making a total of \$1,535,000.

We inclose you herewith Treasurer's receipt covering \$1,535,000 United States 3 per cent bonds of 1908-1918, which please release from the circulation account of the National City Bank of New York and transfer to the depository account of that bank to effect the release of other bonds.

Respectfully,

M. E. AILES, Vice President.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, February 25, 1908.

DEAR MR. SECRETARY: I now have \$100,000 in notes of the National City Bank, held in the Office of the Comptroller of the Currency, which that bank desires to have canceled.

As I leave for New York at 4 o'clock this afternoon, I would appreciate it very much if you would see the Comptroller of the Currency about this retirement in sufficient time to let me know your decision about having the circulation retired.

I am told by Mr. Rogers, Chief of the Redemption Division, that there is no doubt as to the validity of the method, and it has been practiced by banks ever since the beginning of the national banking system. In fact, the matter is in such shape that an ordinary application to effect a retirement in this way would go through as a matter of course, except that I do not want to make any retirement of circulation which does not meet with the approval of the Secretary of the Treasury.

Since dictating the foregoing, I learn that you may not be in your office until late this afternoon. As I will be at the National City Bank, New York, tomorrow, will you kindly, therefore, have Mr. Ridgely wire me there as to your decision in this matter?

Very sincerely, yours,

M. E. AILES.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, June 24, 1908.

PRESIDENT THE RIGGS NATIONAL BANK,
Washington, D. C.

SIR: The report of an examination of your bank made on the 2d instant has been received and has had careful consideration.

The lawful money reserve was deficient \$94,640 on the day the examination commenced, but is reported to have been made good the following day. The lawful reserve should be maintained at all times.

Fourteen loans are reported as secured by real estate notes as collateral. You are again reminded that the loans secured by real estate must be disposed of and the practice of acquiring such assets should be discontinued, as it is unlawful for a national bank to make loans on or discount paper secured by real estate in any form.

An early reply to this letter is requested.

Respectfully,

T. P. KANE,
Deputy and Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., June 25, 1908.

HON. T. P. KANE,

Deputy and Acting Comptroller of the Currency, Washington, D. C.

SIR: Referring to your favor of the 24th instant, we beg to say that the deficiency in our lawful money reserve of \$94,640, on the 2d instant, was due to the extraordinarily heavy demands made upon us by the collector of taxes. On the following day the amount was promptly made good as reported by the bank examiner.

As to the loans secured by real estate notes, we beg to advise you that we are gradually reducing the number of these loans, and will endeavor to eliminate them entirely in the near future.

Very respectfully,

WM. J. FLATHER, *Vice President.*

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., July 18, 1908.

The Honorable the COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: We have the honor to hand you herewith our statement of condition at the close of business the 15th day of July, 1908. Your special attention is directed to the figures relating to our reserve, from which it appears that while the aggregate was 38½ per cent, yet the actual cash on hand was only 10½ per cent against the required reserve in cash of 12½ per cent. On the following day, and, in fact, ever since, we have been well above our reserve requirements in cash, but we wish to advise you that the temporary reduction in cash below the required amount was occasioned by large and excessive deposits made at the Treasury on the 15th instant, the very day to which your call related. These deposits were made for various banks on account of transfer of funds, covering the return of public deposits which the Secretary of the Treasury required to be transferred on the 15th instant.

Very respectfully, yours,

M. E. AILES, *Vice President.*

CRITICISMS BY EXAMINERS, 1908-1913.

The files of the comptroller's bureau show that in pursuance of the policy adopted in 1908 by Comptroller Murray, the practice of writing letters of criticism to national banks after each examination was suspended, and the national-bank examiners were thereafter supposed to make their criticisms direct to the officers or directors of the bank at the time of each examination without having these subjects of censure followed up by formal admonitions from the Treasury Department.

The reports of examiners submitted to the comptroller by the national-bank examiners after each examination of the Riggs National Bank, however, showed that these direct criticisms from the examiner were no more effective than letters from the Comptroller of the Currency had been. The bank continued to violate the law and the regulations of the comptroller's bureau, as is convincingly shown by the following excerpts from the reports of national-bank examiners and disclosures revealed by these reports as to the bank's operations after each semiannual examination of the bank between 1908 and 1912:

In the examination of June, 1908: Examiner Owen T. Reeves, jr., reported the bank short in reserve, \$94,640; real-estate loans and stocks unlawfully held; bank carrying loans to both vice presidents, cashier, ladies' teller, exchange teller, and note teller; also loan of \$25,000 to the wife of President Glover. The loans to the two vice presidents and the cashier at that time exceeded \$100,000. Stocks irregularly carried as cash, \$15,752; overdrafts, \$13,757; 111 accounts overdrawn.

Examination of May, 1909: Examiner Owen T. Reeves, jr., reported the bank's cash reserve short \$32,745. Bank was still making large loans to executive officers and employees, including, as analysis of list of large loans shows, "dummy" loans; still carrying stocks contrary to law; attention again called to the bank's irregular real-estate and stock-brokerage business.

Examination of November, 1909: Examiner Owen T. Reeves, jr., showed bank again short in its cash reserve; large loans to officers and employees, including "dummy" loans; stocks carried contrary to law. Examiner states in his report: "Old-fashioned methods of keeping books and accounts exists. An up-to-date system of handling loans has repeatedly been suggested by this examiner, but the officers feel the present scheme has worked well enough for a half century and balk on making any change." Stock-brokerage and real-estate business again commented upon.

Examination of June, 1910: Examiner Owen T. Reeves, jr., reported cash reserve short \$122,925; bank still lending large sums to officers and employees, including "dummy" loans; direct loans to executive officers at that time included President Glover, \$67,000, Vice President Flather, \$48,000, Cashier Flather, \$61,000—exclusive of "dummy" or concealed loans. Examiner stated in report: "As many times stated by this examiner, the system of keeping the books and accounts, especially the method of handling the collateral loans, is old-fashioned and sloppy. For a large and flourishing bank, it lacks all the features of system employed in well managed city banks." Bank still holding stocks unlawfully; also carrying improperly \$23,257 in stocks for customers as "cash."

Examination of November, 1910: Examiner Owen T. Reeves, jr., reported bank carrying large loans of president, vice presidents, cashier and other officers and employees (exclusive of "dummy" loans) exceeding \$436,000. Stocks still held contrary to law. Examiner again reports: "As stated in former reports, the system of keeping the books and accounts lacks all the features of a city bank. Methods are antiquated and cumbersome." Again criticises brokerage and real estate business conducted by bank's officials.

Examination of May, 1911: Examiner Owen T. Reeves, reported bank short in its reserve \$62,800. Large loans to officers and employees continue, including loans to "dummy" makers. Stocks still unlawfully held.

Examination of December, 1911: Examiner S. M. Hann reported bank short in its cash reserve \$184,630; stocks unlawfully held; large loans to executive officers; attention again called to overdrafts.

Examination of August, 1912: Examiner S. M. Hann reports bank short in its cash reserve, \$148,175; large loans to executive officers; stocks still unlawfully held; over \$70,000 due for stocks bought for customers improperly carried as "cash." Examiner reports stock certificate book not properly kept. Large amount of canceled certificates of deposit reported missing. Loans to bank's officers and directors—nearly all on bonds and stocks—\$389,640.

Examination of May, 1913: Examiner S. M. Hann reported bank lending to its president, two vice presidents and cashier, \$260,425; other direct and indirect loans to directors (exclusive of "dummy" loans) \$481,196; total, \$741,621. The bank was carrying \$23,447 of securities and real estate loans improperly as "cash," including in "cash" a \$5,000 real estate loan for President Glover (taken out during the examination). The bank had been short in its average reserve for the preceding 30 days, both as to reserve in bank and reserve with reserve agents. Examiner reported President Glover had informed him as to profits on real estate operations that the "commission or profits belong to him (Glover) and that he first began turning them over to the bank when the Riggs Bank went over into the national system."

Examiner further says: "I was also informed by Glover that in order to hold himself above criticism, he has turned over every dollar of profit to the bank." (A statement to this effect was made by Mr. Glover to the comptroller a year later, in June and July, 1914; and it was subsequently developed that over \$46,000 of those profits collected between 1897 and May, 1902, had been personally divided between Mr. Glover and certain other officers of the bank (Glover, Hyde, Johnson, et al.), disproving the statements made by Mr. Glover both to Examiner Hann and to the Comptroller. Attention is also called by Examiner Hann to \$173,003 note of J. D. Richardson, which had been the subject of constant criticism for several years. On this note the bank eventually lost \$29,468.

Examination of October 15, 1913: Examiner R. W. Goodhart reported bank short in its reserve \$207,950; and the average reserve in the preceding 30 days in the bank also sort. The examiner said—"considerable difficulty was experienced in balancing the notes due to the fact that no one man seems to have control of them. Bank was carrying improperly \$55,572 of stocks purchased, as "cash," including \$6,562.50 due from President Glover for 200 shares of American Can. Overdrafts, \$23,344 also criticized, including over-

draft of wife of President Glover of \$6,652.03. The examiner also reported violation by bank of section 5202 United States Revised Statutes on account of excessive liability for bonds borrowed by the bank. Examiner recommended that bank charge off losses and eliminate doubtful paper as rapidly as possible. At the next ensuing call for report of condition, November 8, 1913, the bank was again short in its reserve \$374,785, and also the average reserve was short during the preceding 30 days.)

It is noted that the foregoing examinations of the Riggs National aBnk between 1908 and 1913, inclusive, except the examination of October, 1913, by Examiner Goodhart, were all made by the two examiners, Reeves and Hann, whose efficiency and reliability were so highly complimented by Mr. Hogan in his testimony before the Senate committee in July, 1919. Despite the criticisms by practically every examiner, the record shows that the bank persisted in its disregard of the law and of the regulations and admonitions of the comptroller's bureau from the time of its organization in 1896 until July, 1914.

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, November 11, 1913.

The BOARD OF DIRECTORS, RIGGS NATIONAL BANK,
Washington, D. C.

GENTLEMEN: The report of the examination of your bank completed October 23 shows a reserve deficiency of \$207,980, overdrafts of \$23,344.69, and the following paper classed as doubtful by the examiner:

A-----	\$7, 150.00
B-----	82, 948. 98
C-----	2, 700.00
	42, 798. 98

Liability for money borrowed is as follows:

Bonds borrowed-----	\$900, 000.00
Bonds sold under agreement to repurchase-----	1, 221, 823. 45
	2, 121, 823. 45

The examiner states it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit.

The report of condition of the bank for October 21 shows the above liability for money borrowed and a reserve deficiency of \$374,786.

The required legal reserve must be made good at once and this office advised. Liability for borrowed money must be brought within the requirements without delay, the amount of overdrafts materially curtailed, and the doubtful paper given particular attention and collected, charged off or secured beyond question of loss. The irregular items in the cash must be eliminated and the practice of carrying stock items in the cash discontinued.

The directors are requested to advise this office promptly, over their individual signatures, of the action taken to comply with these requirements.

Respectfully,

T. P. KANE,
Acting Comptroller.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., November 19, 1913.

ACTING COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: We are in receipt of your letter of the 11th instant, calling our attention to various matters in connection with the report of the examination of this bank which was completed by the examiner October 23 last.

With respect to a reserve deficiency of \$207,980, you are advised that this was temporary and was occasioned, in part, by the demand at this season of the year of our southern correspondents for shipments of currency. It is our

practice to respond promptly to requests from our correspondents for cash, and occasionally it happens that such shipments involve a decrease in our cash on hand which we immediately replenish by having currency shipped to us from our northern correspondents. The deficiency noted had disappeared by October 22. A large part of the deficiency referred to, as shown by our report of condition on October 21, was occasioned by your office counting reserve against our Canal Zone deposits, which, according to the act of August 24, 1912, are required to be treated in the same manner as "other funds of the United States" and against which other funds your office does not require reserve to be maintained.

You invite attention to overdrafts of \$23,344.69. To a very large extent these overdrafts related to transactions growing out of the issuance by us of letters of credit to our customers against the deposit of collateral with us to secure such sums as they might draw against their letters. In the amount shown as overdrafts there was also included an item of some \$6,500 which should not have been reported as an overdraft, in view of the fact that the customer in this instance maintained two accounts with us, in one of which there was to his credit more than \$26,000, the other being overdrawn \$6,500.

You call attention to the following paper classed by the examiner as doubtful:

A -----	\$7, 150. 00
B -----	32, 948. 98
C -----	2, 700. 00
	<hr/> 42, 798. 98

We have classed the above items as slow instead of doubtful. None of the persons mentioned has ever failed to pay interest on the loans whenever the same was due. In the case of Mr. ———, the loan was originally for \$11,000, and has been reduced to \$7,150. Mr. ——— has given us assurance that with patience on our part he will be able to liquidate this loan either from the collateral we hold, which is said to be improving, or from other resources he may be able to command growing out of the settlement of his father's estate. Collateral against the loan to Mrs. ——— is deficient to the extent of about \$4,000, but she has always been prompt in the payment of interest, and we have been disposed to wait patiently for an improvement in the market value of the collateral held against her loan. With respect to the loan to Dr. ——— of \$2,700, we believe that his family connections are such that the loan, with patient handling, will be liquidated without loss.

In view of this statement we believe it would be more advantageous to this bank not to write off these comparatively small amounts. Our large surplus of \$2,000,000 and undivided profits account of more than \$130,000 make it a matter of small consequence to our totals whether the loans are written off or not; but in actual practice we have found we can give better attention to the collection of loans when they are carried in our live paper, for the reason that we are not so apt to lose sight of them as when they are written off.

With respect to the item of \$1,221,823.45, relating to bonds sold under agreement to repurchase, we desire to advise you fully as to the facts. We hold certain Canal Zone deposits which the authorities require us to secure by the deposit with them of such bonds as are legal investments for savings banks in the States of New York, Massachusetts, Connecticut, and New Jersey. We do not at all times own a sufficient amount of such bonds ourselves to secure these deposits, but we do own at all times a large amount of other bonds which are carried in our investment accounts, which bonds are not available for the purpose of securing the deposits mentioned above. We have, therefore, obtained from our correspondents bonds that are acceptable under the savings-bank rule and have exchanged with them, at fixed valuations, a sufficient amount of the bonds owned by us to secure them for the savings-bank bonds thus obtained. It is understood, of course, that at their option or ours they are to have their bonds back and we are to have ours back. It is really an exchange with the understanding that either party may exchange back as occasion requires. In this manner we are able to secure to the satisfaction of the authorities these Canal Zone deposits, and we trust this explanation of the matter will be satisfactory to your office.

With respect to the statement of the examiner that it is the practice of the bank to carry items of stock purchased for customers in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for

the most part our purchases for customers are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once, and we have met with some small delays in completing orders, as well as in charging purchases to accounts. The item above mentioned was largely caused by the absence of one of our important customers in Jamaica at the time his order was executed. In the future we will endeavor to avoid carrying these items in cash by making prompt charges against customers' accounts.

Respectfully,

Chas. C. Glover, James M. Johnston, Thos. Hyde, Wm. J. Flather,
M. E. Aailes, Frank C. Henry, Joseph Paul, Henry H. Flather,
J. R. McLean, H. Hurt, C. I. Corby, Robert C. Wilkins, H.
Rozier Dulany, F. S. McKenney, R. Ross Perry.

This letter bears the signatures of all the directors with the exception of three, namely, Admiral Willard H. Brownson, who is abroad; Mr. F. A. Vanderlip, who is in California, and Mr. S. W. Labrot, who is in New Orleans.

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.

Washington, D. C., June 18, 1914.

To the board of directors of the Riggs National Bank, Washington, D. C.

GENTLEMEN: There is an account on your books entitled W. J. and H. H. Flather, the cash balance now to the credit of which is \$503.98, and the following investment securities which have been purchased from time to time with money withdrawn from this account and another account, entitled Charles C. Glover and William J. Flather, are now in the bank vault, viz:

Promissory notes of

A	-----	\$500, 5 per cent, due 10 Dec., 1915.
B	-----	1,250, 5 per cent, due 20 Apr., 1916.
C	-----	500, 5 per cent, due 14 May, 1915.
D	-----	5,000, 5 per cent, due 23 Apr., 1919.
E	-----	5,000, 5 per cent, due 23 Oct., 1919.
F	-----	2,500, 5 per cent, due 19 May, 1915.
G	-----	1,000, 5 per cent, due 30 Apr., 1917.
H	-----	1,000, 5 per cent, due 14 May, 1916.
I	-----	1,500, 5 per cent, due 26 May, 1917.
J	-----	1,750, 5 per cent, due 20 May, 1915.
K	-----	1,250, 5 per cent, due 20 Apr., 1916.
L	-----	1,000, 5 per cent, due 25 Oct., 1914.
M	-----	1,000, 5 per cent, due 3 June, 1916.
N	-----	850, 5½ per cent, due 20 Dec., 1916.
O	-----	2,000, 5 per cent, due 6 Jan., 1916.
P	-----	1,500, 5 per cent, due 2 July, 1916.
Q	-----	6,000, 5 per cent, due 2 Nov., 1914.
R	-----	2,500, 5 per cent, due 26 Mar., 1917.
S	-----	1,000, 5 per cent, due 29 Nov., 1914.
T	-----	1,000, 5 per cent, due 19 May, 1915.

Total----- 38,000

Stocks: 42 shares Real Estate Title Insurance Co.; 1,757 shares Columbia Title Insurance Co.; 25 shares American Graphophone Co., common.

During the partnership of Riggs & Co., it was customary for one or more of its members to assist its customers to make investments, receiving certain compensation by way of commissions therefor, which compensation was at first credited to the commission account on the books of the firm and later transferred to the credit of the profit and loss account of the partnership. After the incorporation of the Riggs National Bank such business was continued to be done by certain of the officers of the bank acting in their individual capacities, and sums received by way of compensation on account of such transactions were passed to the credit of the accounts on the books of this bank, entitled Charles C. Glover and William J. Flather, and W. J. and H. H. Flather, which accounts commonly have been and are referred to as the "Glover and Flather" and the "Flather and Flather" accounts.

The existence of these accounts and the character of the transactions which the entries noted therein were intended to evidence, have been made known to

every bank examiner who has examined and reported upon the bank's condition, and likewise has been made known to the successive Comptrollers of the Currency and some, if not all, of the Secretaries of the Treasury in office since 1906, with the exception of the present incumbent, have been personally informed of the practice of the bank officers in this regard and no objection has at any time been made to their continuing the same.

On April 17, 1914, the account—Charles C. Glover and William J. Flather—for purposes of convenience, was closed out and its credits of every sort were transferred to the credit of the account W. J. and H. H. Flather.

Whether the officers of the bank, who in their individual capacities rendered the services which produced the revenues which passed to the credit of the above account, were entitled to receive and retain such revenues for their personal benefit, is not material, for no one of them has ever claimed or has ever intended to claim, or has ever retained or ever expected to retain any part of such revenues for his personal benefit. From time to time various amounts have been withdrawn from each of said accounts and used for the benefit of the bank, and from time to time sums have been withdrawn from each of said accounts and directly passed to the credit of the profit and loss account of the bank.

These facts are each and all doubtless perfectly well known to you, but we make this statement at the present time in view of the communications referring to the general subject lately received from the Comptroller of the Currency, and in order that this statement may be made of record in the minutes of the bank.

Respectfully, yours,

CHAS. C. GLOVER.
WM. J. FLATHER.
HENRY H. FLATHER.

The real estate loans stated above were taken as additional collateral for loans previously made, the greater portion of which is secured by stocks and were, therefore, reported under sections B and E.

August 13, 1914.

HENRY H. FLATHER, *Cashier.*

COMPTROLLER OF THE CURRENCY,
Washington, June 9, 1914.

DEAR MR. SECRETARY: Referring to my letter of the 14th ultimo, regarding the status of the Riggs National Bank and that bank's application for a special deposit of District funds, I now beg leave to hand you with this an analysis showing the loans made by all the national banks in the city of Washington as of March 4, 1914.

From this statement you will observe that of the loans of the Riggs National Bank but little more than 25 per cent are made on commercial paper, while approximately 75 per cent of their loans are made on bonds and stocks.

The Commercial National Bank, which in the amount of money loaned ranks next to the Riggs, is lending only 37 per cent of its loans on bonds and stocks and 63 per cent on commercial paper, etc.

The bank ranking next in the amount of money loans is the National Bank of Washington, which has 47 per cent of its loans on bonds and stocks and 53 per cent on commercial paper, etc.

The examiner advises this office that Mr. Glover, the president of the Riggs National Bank, has for some years past kept a special account in the bank to cover his operations and deals in real estate, from which he has been collecting commissions on real estate loans¹ which he has been placing for depositors of the bank, the commissions going personally to Mr. Glover. This department is not advised as to whether or not the board of directors were all informed that Mr. Glover was collecting personally these commissions at the same time that he was drawing a salary of \$25,000 per annum from the bank.

The bank examiner informs me that on the 17th of April the real estate account heretofore carried in Glover's name was transferred to the name of

¹ The real meaning of the "Glover and Flather" and "Flather and Flather" accounts to which the commissions attested on stocks and bonds and real estate were recorded, is more fully shown in Exhibit H, and affidavit of John Skelton Williams, Comptroller of the Currency, setting forth the testimony given by the bank's own officers, before national bank examiners, see p. —.

W. J. and H. H. Flather, and since that time the deals and operations have been conducted in their name and the commissions collected by them and appropriated for their personal benefit.

I also understand that President Glover and Vice President Flather are both members of the stock exchange, and that the two Flathers, especially, have been and are conducting a brokerage business, charging commissions on the purchase and sale of stocks. It appears that the bonds and stocks which are thus bought and sold, and the customers for whom the bonds and stocks are being purchased, are being carried by the bank, with whom the Flathers arrange the loans. The two Flathers appear as borrowers of money personally from the Riggs National Bank to the extent of \$127,300, secured by divers bonds and stocks, and nearly all of the assets of the bank have been loaned out on bond and stock collateral, not on commercial paper and not for the promotion of the commercial interests of the city and the advancement of its industries and general business.

There are, however, some large loans in the bank based on local public-utility stocks, such as gas company, street railway company, etc., and there is one loan in the bank for about \$170,000, which has been there, to a greater or less extent, for more than 10 years past, which was made to a former Member of Congress, and which is secured largely by the shares of a street railway company. The former Congressman to whom this loan is made was at one time, I understand, a member of the District Committee of the House, but this I have not yet verified, and I understand that a consolidation of the street-car lines took place while he was in Congress.

It is believed that such operations as are being carried on by Mr. Glover and the vice president and cashier of this bank are directly in violation of the provisions of the Federal reserve act.

The Riggs National Bank has been subjected to frequent criticisms by this department for the past 10 years for various irregularities, but the admonitions of the department have been persistently ignored, the bank feeling, apparently, secure and immune from drastic action on the part of the powers that were.

In April, 1904, Comptroller Ridgely called the attention of the bank to 10 loans, aggregating about \$2,000,000, all excessive. At the same time, he said to them:

"You are again reminded that the stocks of other corporations, which were acquired as investments, should be disposed of, as such investments can not be lawfully made by a national bank.

"The examiner reports 46 loans, aggregating \$134,402.65, for which real estate notes are held as collateral. You are again reminded that it is unlawful for a national bank to make loans of this character, and such loans should be disposed of and the practice of making them discontinued.

"The examiner also reports the purchase and sale of stocks, bonds, etc., on commission. As heretofore advised, it is ultra vires of a national bank to engage in this business, and this practice should also be discontinued."

About six months later the comptroller again called attention to eight excessive loans which had been the subject of criticism at the previous examination in April, aggregating about \$2,000,000, which were still being unlawfully carried, and in repeating the instructions which had been given in April, said:

"The stock purchased as an investment by your bank should be disposed of, as it is unlawful for a national bank to purchase stock of other corporations as an investment. As heretofore advised, the bank exceeds its corporate powers in the purchase and sale of stocks, bonds, etc., on commission. This business is evidenced by the character of cash items, and the books of the bank which show commissions on sales and purchases of stocks and bonds, as well as on real estate loans negotiated. It is ultra vires of a national bank to traffic in stocks and bonds by buying and selling such securities on commission.

"The items of stock purchased on account of customers, and interest due on demand loans, now carried in cash-items account, should be transferred to the proper accounts without delay, and this use of cash items should be discontinued.

"Loans aggregating \$99,052.65 are secured by real estate notes. These loans should be disposed of, as it is unlawful for a national bank to make loans on or to discount paper secured directly or indirectly by real estate.

"There was a deficiency of \$131,985 in that portion of the lawful money reserve required to be kept on hand. In this connection attention is called to section 5191, U. S. R. S."

The bank persistently disregarded the instructions of the comptroller, and therefore, in May, 1905, the comptroller wrote as follows: "The following loans are excessive and should be reduced to the limit prescribed by section 52000, U. S. R. S.," giving a list of 8 or 10 loans, aggregating about \$2,000,000, which the bank had been warned against in April, 1904. In this letter the bank was again admonished as to its deficiency in reserve, and the deputy comptroller said:

"You are again reminded that the stocks of other corporations acquired by the bank as investments should be disposed of, as such investments can not be lawfully made by a national bank."

It was again warned as to the 49 loans secured by real estate notes, carried improperly. It was also warned as to lending money on the bank's own stock.

Again, in December, 1905, the comptroller wrote as follows:

"The following loans are excessive and should be reduced to the limit prescribed by section 5200, U. S. R. S."

Then followed a list of the same loans complained of during the previous three examinations, aggregating about \$2,000,000. The comptroller said:

"With two exceptions, these accounts were all excessive at the time of the preceding examination. You were then required to reduce them to the legal limit. They remain practically the same as before. The accommodation extended George T. Dunlop is not only excessive, but is out of proportion to the capital of your bank. They should all be reduced to the lawful limit without unnecessary delay."

"Effort should be continued to dispose of the 59 loans which are secured by real estate notes held as collateral, as it is unlawful for a national bank to make loans on or to purchase paper secured by real estate in any form."

"It is noted that a large number of shares of various corporations are still carried. These should be disposed of as soon as possible, as it is unlawful for a national bank to invest in the shares of stock of other corporations."

On June 6, 1906, the deputy comptroller again wrote the bank, calling attention to the excessive loans which had been complained of more than two years before and at each examination since that time. He also said:

"The stocks of the Columbia Title Insurance Co., Pennsylvania Telegraph Co., People's Insurance Co., and the Real Estate Insurance Co., heretofore carried by the bank in bonds, securities, claims, etc., appear to be still owned by the bank in the form of collateral for a loan of \$11,039.88 to one of the employees of the bank. The transfer of these securities to loans and discounts is not a disposition of these stocks. They should be restored to the account of bonds, securities, claims, etc., and be so carried until regularly disposed of."

"Efforts to dispose of the loans secured by real estate should be continued. In this connection you are referred to office letter of December 1, 1905."

On June 24, 1908, Deputy Kane wrote as follows:

"The lawful money reserve was deficient \$94,640 on the day the examination commenced, but is reported to have been made good the following day. The lawful reserve should be maintained at all times."

"Fourteen loans are reported as secured by real estate notes as collateral. You are again reminded that the loans secured by real estate must be disposed of and the practice of acquiring such assets should be discontinued, as it is unlawful for a national bank to make loans on or discount paper secured by real estate in any form."

Comptroller Murray came in in September, 1908, and for the next several years, under his administration, the bank appears to have been allowed to do largely as they pleased, and few or no letters of admonition and warning were written.

At the time of the first examination under the present administration the bank was found to be carrying \$24,278 of cash items, representing largely bonds and stocks bought for customers. The bank had been running below the reserve requirements for the preceding 30 days. Vice Presidents Flather and Ailes and Cashier Flather were borrowing from the bank something in excess of \$200,000, and President Glover was borrowing \$54,000. The total loans to directors aggregated about \$600,000.

At the time of the October, 1913, examination the bank was carrying irregular items as cash items, \$55,572, which it claimed were represented by stock purchased for customers and carried in cash instead of being charged to their personal accounts. The bank had at that time \$23,344 of overdrafts, including \$6,652 to Mrs. C. C. Glover. The bank's reserve on the date of this examination was deficient.

The report of the national-bank examiner made in May, 1914, shows a great improvement in the matter of the irregular practices previously complained of. Its funds, however, were still being loaned on bond and stock collateral, rather than on commercial paper, and the bank had more than its reserve on hand. There was also an improvement in the matter of overdrafts.

Sincerely, yours,

J. S. WILLIAMS.

Hon. W. G. McADOO,
Secretary of the Treasury.

In the Supreme Court of the District of Columbia.

[Equity No. 33360.]

THE RIGGS NATIONAL BANK, OF WASHINGTON, D. C., *versus* JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY; WILLIAM GIBBS MCADOO, SECRETARY OF THE TREASURY; JOHN BURKE, TREASURER OF THE UNITED STATES.

AFFIDAVIT OF WESLEY M. BENNETT.

DISTRICT OF COLUMBIA, ss:

Wesley M. Bennett, being sworn, says: I reside in Pittsburgh, in the State of Pennsylvania, and am an expert bank accountant connected with the Department of Justice.

Hereto attached are—

(1) Transcript of the account between H. H. Flather and Lewis Johnson & Co. from 1909 to 1914, as it appears upon the books of Lewis Johnson & Co., except that the names of the stocks that are written out in full on the books of Lewis Johnson & Co. are abbreviated in this transcript.

(2) A like transcript of the account between William J. Flather and Lewis Johnson & Co., covering the same period.

(3) A like transcript of the account between the Riggs National Bank and Lewis Johnson & Co., except that there was not time to complete the full account for the years 1910 and 1911. The 1911 account contains the debit side complete, but the credit side only partly complete up to April 7, 1911. The 1910 account could not be obtained in time.

I have had time only thus far to analyze part of the accounts of the Riggs National Bank, and I refer to the following transactions appearing upon the face of that account. The short sales among the 12 transactions are so designated in the analysis.

SHORT SALE.

1/29/12. 200 U. P., at 166-----	33, 225. 00	1/18/12. 200 U. P., at 167-----	33, 371. 00
1/29/12. 200 U. P., at 165-----	33, 025. 00	1/22/12. 100 U. P., at 167½-----	16, 735. 50
1/27/12. Check-----	742. 00	1/22/12. 100 U. P., at 169-----	16, 885. 50
	<u>66, 992. 00</u>		<u>66, 992. 00</u>

On February 1, 1912, 100 Union Pacific bought at 162, \$16,212.50, covered by deposit; stock not delivered, but sold on February 6, 1912, at 162½, \$16,260.50, check being issued therefor.

SHORT SALE.

2/12/12. 100 U. P., at 162½-----	16, 287. 50	2/8/12. 100 U. P., at 164-----	16, 385. 50
2/10/12. Check-----	98. 00		
	<u>16, 385. 50</u>		
2/15/12. 100 U. P., at 164½-----	16, 462. 50	2/15/12. 100 U. P., at 165½-----	16, 498. 00
2/14/12. Check-----	210. 50	2/14/12. Div. 100 U. P-----	175. 00
	<u>16, 673. 00</u>		<u>16, 673. 00</u>

SHORT SALE.

2/19/12. 100 U. P., at 164½-----	16, 487. 50	2/16/12. 100 U. P., at 165½-----	16, 510. 50
2/16/12. Check-----	23. 00		
	<u>16, 510. 50</u>		

On February 19, 1912, 100 Union Pacific bought at 164, \$16,412.50, covered by deposit; stock not delivered, but sold on February 20, 1912, for \$16,448, check being issued therefor.

1/15/12. Div. 100 W. U.-----	75. 00	3/6/12. 100 U. P., at 166½-----	16, 610. 50
3/5/12. 100 U. P., at 164½-----	16, 475. 00	3/6/12. 100 N. P., at 119½-----	11, 910. 50
3/6/12. 100 Steel, at 63½-----	6, 375. 00	3/6/12. 100 Steel, at 64½-----	6, 410. 50
3/7/12. Check-----	131. 50		
3/7/11. 100 N. P., at 118½-----	11, 875. 00		
	<u>34, 931. 50</u>		<u>34, 931. 50</u>

On March 18, 1912, 100 Northern Pacific sold at 121, \$12,085.50; check issued therefor under date of March 15, 1915.

4/8/12. 100 Can, at 25½-----	2, 587. 50	4/8/12. 100 Can, at 26½-----	2, 660. 50
4/6/12. Check-----	73. 00		
	<u>2, 660. 50</u>		

On April 8, 1912, 100 Can bought at 26½, \$2,650, covered by deposit. Stock delivered April 13, 1912.

4/24/12. 200 L. V., at 168½-----	16, 625. 00	4/25/12. 200 L. V., at 167½-----	16, 735. 50
4/24/12. Check-----	110. 50		
	<u>16, 735. 50</u>		

SHORT SALE.

8/21/12. 100 Cen. Lea., at 29½-----	2, 982. 50	8/18/12. 100 Cen. Leath., at 30-----	2, 985. 50
8/21/12. Check-----	23. 00		
	<u>2, 985. 50</u>		

On September 9, 1912, 100 Central Leather sold at 30, \$2,985.50; settled by check.

1/30/13. 100 Can, at 39½-----	\$3, 937. 50	1/30/13. 100 Can, at 40½-----	\$4, 010. 50
1/29/13. Check-----	73. 00		
	<u>4, 010. 50</u>		

On January 29, 1913, 200 Can received, check issued for \$7,883.50; sales being made on January 30, 1913, of 100 shares each at 39½ and 39¼; total, \$7,883.50.

SHORT SALE.

2/3/13. 100 Can, at 42-----	\$4, 212. 50	1/31/13. 100 Can, at 42½-----	\$4, 260. 50
2/1/13. Check-----	48. 00		
	<u>4, 260. 50</u>		

On January 30, 1913, 100 Can received and check issued for \$4,285.50; sale being under date of January 31, 1913, at 43.

5/5/13. 100 Can, at 32½-----	\$3, 262. 50	5/6/13. 100 Can, at 33½-----	\$3, 335. 50
5/6/13. Check-----	73. 00		
	<u>3, 335. 50</u>		
6/23/13. 100 Steel, at 51-----	5, 112. 50	6/24/13. 100 Steel, at 52½-----	5, 223. 00
6/23/13. Check-----	110. 50		
	<u>5, 223. 00</u>		

In connection with the above transactions I have examined the checks and the indorsements thereon. In each case the check for the profit was made to the order of Mr. H. H. Flather and indorsed by him.

WESLEY M. BENNETT.

Subscribed and sworn to before me this 10th day of May, A. D. 1915.

[SEAL.]

F. A. COLFORD,
Notary Public.

The following letter from the Comptroller of the Currency to the Secretary of the Treasury, dated June 9, 1914, was printed as Exhibit "H" to the affidavit and answer of Hon. William G. McAdoo, Secretary of the Treasury, in the Riggs bank injunction suit:

COMPTROLLER OF THE CURRENCY,
Washington, June 9, 1914.

DEAR MR. SECRETARY: Referring to my letter of the 14th ultimo, regarding the status of the Riggs National Bank and that bank's application for a special deposit of District funds, I now beg leave to hand you with this an analysis showing the loans made by all the national banks in the city of Washington as of March 4, 1914.

From this statement you will observe that of the loans of the Riggs National Bank but little more than 25 per cent are made on commercial paper, while approximately 75 per cent of their loans are made on bonds and stocks.

The Commercial National Bank, which in the amount of money loaned ranks next to the Riggs, is lending only 37 per cent of its loans on bonds and stocks and 63 per cent on commercial paper, etc.

The bank ranking next in the amount of money loaned is the National Bank of Washington, which has 47 per cent of its loans on bonds and stocks and 53 per cent on commercial paper, etc.

The examiner advises this office that Mr. Glover, the president of the Riggs National Bank, has for some years past kept a special account in the bank to cover his operations and deals in real estate, from which he has been collecting commissions on real estate loans which he has been placing for depositors of the bank, the commissions going personally to Mr. Glover. This department is not advised as to whether or not the board of directors were all informed that Mr. Glover was collecting personally these commissions at the same time that he was drawing a salary of \$25,000 per annum from the bank.

The bank examiner informs me that on the 17th of April the real estate account heretofore carried in Glover's name was transferred to the name of W. J. and H. H. Flather, and since that time the deals and operations have been conducted in their name and the commissions collected by them and appropriated for their personal benefit.

I also understand that President Glover and Vice President Flather are both members of the stock exchange, and that the two Flathers, especially, have been and are conducting a brokerage business, charging commissions on the purchase and sale of stocks. It appears that the bonds and stocks which are thus bought and sold, and the customers for whom the bonds and stocks are being purchased, are being carried by the bank, with whom the Flathers arrange the loans. The two Flathers appear as borrowers of money personally from the Riggs National Bank to the extent of \$127,300, secured by divers bonds and stocks, and nearly all of the assets of the bank have been loaned out on bond and stock collateral, not on commercial paper and not for the promotion of the commercial interests of the city and the advancement of its industries and general business.

There are, however, some large loans in the bank based on local public-utility stocks, such as gas company, street railway company, etc., and there is one loan in the bank for about \$170,000, which has been there, to a greater or less extent, for more than 10 years past, which was made to a former Member of Congress, and which is secured largely by the shares of a street railway company. The former Congressman to whom this loan is made was at one time, I understand, a member of the District Committee of the House, but this I have not yet verified, and I understand that a consolidation of the street car lines took place while he was in Congress.

It is believed that such operations as are being carried on by Mr. Glover and the vice president and cashier of this bank are directly in violation of the provisions of the Federal reserve act.

The Riggs National Bank has been subjected to frequent criticisms by this department for the past 10 years for various irregularities, but the admonitions of the department have been persistently ignored, the bank feeling, apparently, secure and immune from drastic action on the part of the powers that were.

In April, 1904, Comptroller Ridgely called the attention of the bank to 10 loans, aggregating about \$2,000,000, all excessive. At the same time, he said to them:

"You are again reminded that the stocks of other corporations, which were acquired as investments, should be disposed of, as such investments can not be lawfully made by a national bank.

"The examiner reports 46 loans, aggregating \$134,402.65, for which real estate notes are held as collateral. You are again reminded that it is unlawful for a national bank to make loans of this character, and such loans should be disposed of and the practice of making them discontinued.

"The examiner also reports the purchase and sale of stocks, bonds, etc., on commission. As heretofore advised it is ultra vires of a national bank to engage in this business, and this practice should also be discontinued."

About six months later the Comptroller again called attention to eight excessive loans which had been the subject of criticism at the previous examination in April, aggregating about \$2,000,000, which were still being unlawfully carried, and in repeating the instructions which had been given in April, said:

"The stock purchased as an investment by your bank should be disposed of, as it is unlawful for a national bank to purchase stock of other corporations as an investment. As heretofore advised, the bank exceeds its corporate powers in the purchase and sale of stocks, bonds, etc., on commission. This business is evidenced by the character of cash items and the books of the bank, which show commissions on sales and purchases of stocks and bonds, as well as on real estate loans negotiated. It is ultra vires of a national bank to traffic in stocks and bonds by buying and selling such securities on commission.

"The items of stock purchased on account of customers, and interest due on demand loans, now carried in cash-items account, should be transferred to the proper accounts without delay, and this use of cash items should be discontinued.

"Loans aggregating \$99,052.85 are secured by real estate notes. These loans should be disposed of, as it is unlawful for a national bank to make loans on or to discount paper secured directly or indirectly by real estate.

"There was a deficiency of \$131,985 in that portion of the lawful money reserve required to be kept on hand. In this connection attention is called to section 5191, United States Revised Statutes."

The bank persistently disregarded the instructions of the comptroller, and therefore, in May, 1905, the comptroller wrote as follows: "The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes," giving a list of 8 or 10 loans, aggregating about \$2,000,000, which the bank had been warned against in April, 1904. In this letter the bank was again admonished as to its deficiency in reserve, and the deputy comptroller said:

"You are again reminded that the stocks of other corporations acquired by the bank as investments should be disposed of, as such investments can not be lawfully made by a national bank."

It was again warned as to the 49 loans secured by real estate notes, carried improperly. It was also warned as to lending money on the bank's own stock.

Again, in December, 1905, the comptroller wrote as follows: "The following loans are excessive and should be reduced to the limit prescribed by section 5200, United States Revised Statutes." Then followed a list of the same loans complained of during the previous three examinations, aggregating about \$2,000,000. The comptroller said:

"With two exceptions, these accounts were all excessive at the time of the preceding examination. You were then required to reduce them to the legal limit. They remain practically the same as before. The accommodation extended Geo. T. Dunlap is not only excessive, but is out of proportion to the capital of your bank. They should all be reduced to the lawful limit without unnecessary delay.

"Effort should be continued to dispose of the 59 loans which are secured by real estate notes held as collateral, as it is unlawful for a national bank to make loans on or to purchase paper secured by real estate in any form.

"It is noted that a large number of shares of various corporations are still carried. These should be disposed of as soon as possible, as it is unlawful for a national bank to invest in the shares of stock of other corporations."

On June 6, 1906, the deputy comptroller again wrote the bank, calling attention to the excessive loans which had been complained of more than two years before and at each examination since that time. He also said:

"The stocks of the Columbia Title Insurance Co., Pennsylvania Telegraph Co., People's Insurance Co., and the Real Estate Insurance Co., heretofore carried by the bank in bonds, securities, claims, etc., appear to be still owned by the bank in the form of collateral for a loan of \$11,039.88 to one of the employees of the bank. The transfer of these securities to loans and discounts is not a disposition of these stocks. They should be restored to the account of bonds, securities, claims, etc., and be so carried until regularly disposed of.

"Effort to dispose of the loans secured by real estate should be continued. In this connection you are referred to office letter of December 1, 1905."

On June 24, 1908, Deputy Kane wrote as follows:

"The lawful money reserve was deficient \$94,640 on the day the examination commenced, but is reported to have been made good the following day. The lawful reserve should be maintained at all times.

"Fourteen loans are reported as secured by real estate notes as collateral. You are again reminded that the loans secured by real estate must be disposed of and the practice of acquiring such assets should be discontinued, as it is unlawful for a national bank to make loans on or discount paper secured by real estate in any form."

Comptroller Murray came in in September, 1908, and for the next several years, under his administration, the bank appears to have been allowed to do largely as they pleased, and few or no letters of admonition and warning were written.

At the time of the first examination under the present administration the bank was found to be carrying \$24,278 of cash items, representing largely bonds and stocks bought for customers. The bank had been running below the reserve requirements for the preceding 30 days. Vice Presidents Flather and Ailes and Cashier Flather were borrowing from the bank something in excess of \$200,000, and President Glover was borrowing \$54,000. The total loans to directors aggregated about \$600,000.

At the time of the October, 1913, examination the bank was carrying irregular items as cash items, \$55,572, which it claimed were represented by stock purchased for customers and carried in cash instead of being charged to their personal accounts. The bank had at that time \$23,344 of overdrafts, including \$6,652 to Mrs. C. C. Glover. The bank's reserve on the date of this examination was deficient.

The report of the national-bank examiner made in May, 1914, shows a great improvement in the matter of the irregular practices previously complained of. Its funds, however, were still being loaned on bond and stock collateral, rather than on commercial paper, and the bank had more than its reserve on hand. There was also an improvement in the matter of overdrafts.

Sincerely, yours,

J. S. WILLIAMS.

IN THE SUPREME COURT OF THE DISTRICT OF COLUMBIA.

Equity No. 33360.

THE RIGGS NATIONAL BANK, OF WASHINGTON, D. C., v. JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY; WILLIAM GIBBS MCADOO, SECRETARY OF THE TREASURY; JOHN BURKE, TREASURER OF THE UNITED STATES.

Affidavit of Wesley M. Bennett:

DISTRICT OF COLUMBIA, ss:

Wesley M. Bennett, being sworn, says: I reside in Pittsburgh, in the State of Pennsylvania, and am an expert bank accountant connected with the Department of Justice.

Hereto attached are—

(1) Transcript of the account between H. H. Flather and Lewis Johnson & Co. from 1909 to 1914, as it appears upon the books of Lewis Johnson & Co., except that the names of the stocks that are written out in full on the books of Lewis Johnson & Co. are abbreviated in this transcript.

(2) A like transcript of the account between William J. Flather and Lewis Johnson & Co., covering the same period.

(3) A like transcript of the account between the Riggs National Bank and Lewis Johnson & Co., except that there was not time to complete the full account for the years 1910 and 1911. The 1911 account contains the debit side complete, but the credit side only partly complete up to April 7, 1911. The 1910 account could not be obtained in time.

I have had time only thus far to analyze part of the accounts of the Riggs National Bank and I refer to the following transactions appearing upon the face of that account. The short sales among the 12 transactions are so designated in the analysis.

SHORT SALE.

1/29/12. 200 U. P., at 166	33,225.00	1/18/12. 200 U. P., at 167	33,371.00
1/29/12. 200 U. P., at 165	33,025.00	1/22/12. 100 U. P., at 167½	16,735.50
1/27/12. Check	742.00	1/22/12. 100 U. P., at 169	16,885.50
	<u>66,992.00</u>		<u>66,992.00</u>

On February 1, 1912, 100 Union Pacific bought at 162, \$16,212.50, covered by deposit; stock not delivered, but sold on February 6, 1912, at 162½, \$16,260.50, check being issued therefor.

SHORT SALE.

2/12/12. 100 U. P., at 162½	16,287.50	2/8/12. 100 U. P., at 164	16,385.50
2/10/12. Check	98.00		
	<u>16,385.50</u>	2/15/12. 100 U. P., at 165½	16,498.00
2/15/12. 100 U. P., at 164½	16,462.50	2/14/12. Div. 100 U. P.	175.00
2/14/12. Check	210.50		<u>16,673.00</u>
	<u>16,673.00</u>		

SHORT SALE.

2/19/12. 100 U. P., at 164½	16,487.50	2/16/12. 100 U. P., at 165½	16,510.50
2/16/12. Check	23.00		
	<u>16,510.50</u>		

On February 19, 1912, 100 Union Pacific bought at 164, \$16,412.50, covered by deposit; stock not delivered, but sold on February 20, 1912, for \$16,448, check being issued therefor.

1/15/12. Div. 100 W. U.	75.00	3/6/12. 100 U. P., at 166½	16,610.50
3/5 /12. 100 U. P., at 164½	16,475.00	3/6/12. 100 N. P., at 119½	11,910.50
3/6 /12. 100 Steel, at 63½	6,375.00	3/6/12. 100 Steel, at 64½	6,410.50
3/7 /12. Check	131.50		
3/7 /12. 100 N. P., at 118½	11,875.00		<u>34,931.50</u>
	<u>34,931.50</u>		

On March 18, 1912, 100 Northern Pacific sold at 121, \$12,085.50; check issued therefor under date of March 15, 1915.

4/8/12. 100 Can, at 25½	2,587.50	4/8/12. 100 Can, at 26½	2,660.50
4/6/12. Check	73.00		
	<u>2,660.50</u>		

On April 8, 1912, 100 Can bought at 26½, \$2,650, covered by deposit. Stock delivered April 13, 1912.

4/24/12. 200 L. V., at 166½	16,625.00	4/25/12. 200 L. V., at 167½	16,735.50
4/24/12. Check	110.50		
	<u>16,735.50</u>		

SHORT SALE.

8/21/12. 100 Cen. Lea., at 29½	2,962.50	8/18/12. 100 Cen. Leath., at 30	2,985.50
8/21/12. Check	23.00		
	<u>2,985.50</u>		

On September 9, 1912, 100 Central Leather sold at 30, \$2,985.50; settled by check.

1/30/13. 100 Can, at 39½	3,937.50	1/30/13. 100 Can, at 40½	4,010.50
1/29/13. Check	73.00		
	<u>4,010.50</u>		

On January 29, 1913, 200 Can received, check issued for \$7,883.50; sales being made on January 30, 1913, of 100 shares each at 39½ and 39¾, total \$7,883.50.

SHORT SALE.

2/3/13. 100 Can, at 42	4,212.50	1/31/13. 100 Can, at 42½	4,260.50
2/1/13. Check	48.00		
	<u>4,260.50</u>		

On January 30, 1913, 100 Can received and check issued for \$4,285.50, sale being under date of January 31, 1913, at 43.

5/5/13. 100 Can, at 32½-----	3,262.50	5/6/13. 100 Can, at 33½-----	3,335.50
5/6/13. Check -----	78.00		
	<u>3,335.50</u>		
6/23/13. 100 Steel, at 51-----	5,112.50	6/24/13. 100 Steel, at 52½-----	5,223.00
6/23/13. Check -----	110.50		
	<u>5,223.00</u>		

In connection with the above transactions I have examined the checks and the indorsements thereon. In each case the check for the profit was made to the order of Mr. H. H. Flather and indorsed by him.

WESLEY M. BENNETT.

Subscribed and sworn to before me this 10th day of May, A. D. 1915.

[SEAL.]

F. A. COLFORD,
Notary Public.

TREASURY DEPARTMENT,
Washington, August 1, 1919.

HON. GEORGE P. McLEAN,
Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.

DEAR SIR: In my letter to you of the 29th ultimo I submitted, in reply to an inquiry from you, figures which show that from June, 1904, to June, 1914, the percentage of increase in the resources of the Riggs National Bank had amounted to only about one-fourth of the percentage of increase which had taken place in the same period in all the other national banks throughout the country.

In the same letter I pointed out that the Riggs National Bank had been required in 1914 by the comptroller's office to desist from their irregular and unlawful operations, and that after the officers of the bank had been required to confine their time and attention more closely to the legitimate business of a national bank, the resources of the Riggs National Bank had in the five-year period from June, 1914, to May, 1919, increased 83.29 per cent, against an increase in the resources of all the national banks in the country of 81.37 per cent.

I understand that the question has also been raised as to whether or not the increase in resources of 18.64 per cent shown by the Riggs National Bank between June, 1904, and June, 1914, was out of line with the increase shown by all the other banks in the District of Columbia for that same period.

In reply to that suggestion, I have the honor to advise you that the records give the following figures:

Against an increase in total resources from June, 1904, to June, 1914, of the Riggs National Bank of 18.64 per cent, we find that the total resources of all other banks in the District of Columbia for that same period increased 114.07 per cent, which means that the percentage of increase in resources from 1904 to 1914 of all the other banks in the District of Columbia was more than six times as great as the percentage of increase shown by the Riggs Bank during that period.

It is true that the Riggs National Bank made large earnings in those years, but those big earnings are traceable very largely or mainly to the favoritism which the bank enjoyed from the Treasury Department in various ways. The records show clearly that a large part of the dividends paid by the Riggs Bank on its capital stock from 1904 to 1914 was directly due to the large profits which the bank derived from the "grossly abnormal" proportion of Government funds placed with it without interest during those years through favoritism or the exercise of special influence.

In this connection I invite your attention to a paragraph in Secretary McAdoo's affidavit in the Riggs equity case, in which he said (p. 540 of February hearings before the committee):

"The total deposits of the plaintiff bank, exclusive of Government funds, on April 9, 1903, were approximately \$7,381,912.20. The proportion of Government funds to total deposits and to the then capital and surplus of the bank (\$900,000) was grossly abnormal and unprecedented. * * *

"During that time there were 11 national banks in the city of Washington, and the deposits of the plaintiff bank averaged not exceeding 39 per cent of

ing facts regarding the unlawful and discreditable practices of the bank and its officers, including the fraudulent operations of Mr. H. H. Flather, formerly cashier of the bank, who, acting under Mr. Hogan's advice or instructions, persistently refused to answer questions addressed to him by a national-bank examiner for fear of incriminating himself further.

BANK OFFICER REFUSES TO GIVE INFORMATION ON GROUND THAT TO DO SO WOULD INCRIMINATE HIM.

On this point I ask your attention to the language of Justice McCoy, who, in his decision, printed on page 374 of these hearings, says:

"The bank can not excuse the failure to give a report simply because any of its officers required to furnish it raise the question of self-incrimination."

Continuing, the decision further declares:

"The plaintiff can not object to giving the information demanded of it by the comptroller nor urge any constitutional ground as a basis for refusing, having accepted its charter under a statute giving the right to call for such reports."

On May 28, 1915, National Bank Examiners Sherrill Smith and James Trimble were examining the officers of the Riggs National Bank in regard to certain irregular stock transactions between the Riggs National Bank, H. H. Flather, and Lewis Johnson & Co.

I ask your attention to the following excerpts from the stenographic report of that examination showing how Mr. H. H. Flather, acting under the advice of his personal counsel, Mr. F. J. Hogan, had refused to answer the examiner's questions on the ground that if he should do so he might incriminate himself:

"Examiner SMITH. You usually handled these transactions, didn't you, Mr. H. H. Flather, with Lewis Johnson & Co.?"

"Mr. H. H. FLATHER. Well, do you mean by giving the orders to receiving—

"Examiner SMITH (interrupting). Yes; giving the orders and receiving the checks or the notices.

"Mr. H. H. FLATHER. I gave a good many of the orders.

"Examiner SMITH. For instance, I have a memorandum here of one item on February 8, 1913, which seems to be the sale of 200 shares of Southern Pacific and the buying in of the same amount, with a check on February 8 to the order of the Riggs National Bank for \$258.50. What would be the ultimate destination of that check?"

"Mr. HOGAN. We would have to look that up.

"Mr. H. H. FLATHER. I would have to see the check.

"Mr. HOGAN. He would have to look that up. He could not remember one transaction two years.

* * * * *

"Examiner SMITH (interrupting). I would rather have Mr. Flather answer it.

"Mr. HOGAN. I can not have him answer that, and I will tell you why, and give my reasons. In view of the direct charges made in this case of the Riggs National Bank versus Williams et al. by Mr. Untermeyer, Mr. Flather has looked these things up and given them to me as his counsel. They are, of course, privileged communications between myself and Mr. Flather. I will prefer to have Mr. Flather stand upon his rights with respect to the information that he gave his counsel.

"Examiner SMITH. His counsel could retain that information as privileged, but I do not see that Mr. Flather can retain it as privileged from me, and I am not asking him for the information which he gave you.

MR. HOGAN TELLS MR. FLATHER NOT TO DIVULGE INCRIMINATING INFORMATION.

"Mr. HOGAN. I shall direct Mr. Flather that all the information he has gained in the way of tracing this information up and tracing it down is privileged, and I shall direct him not to divulge it.

"Examiner SMITH. Just to make that absolutely of record I am going to ask Mr. Flather to put himself under oath, or, rather, to put Mr. Flather under oath, and ask him the direct questions about these.

"Mr. HOGAN. As a bank examiner you have a right to put Mr. Flather under oath. As Mr. Flather's attorney I shall advise him not to answer.

"Examiner SMITH. Certainly. Mr. Flather, do you solemnly swear that the answers which you make to questions propounded to you in the examination of

the affairs shall be the truth, the whole truth and nothing but the truth, so help you God?

"Mr. FLATHER. I beg your pardon. You said 'Examination of the affairs' of what?

"Examiner SMITH. Of the Riggs National Bank.

"Mr. H. H. FLATHER. I do.

"Examiner SMITH. Mr. Flather, are you cashier of the Riggs National Bank?

"Mr. H. H. FLATHER. I am.

"Examiner SMITH. And have been during the years—well, for how long?

"Mr. H. H. FLATHER. Since January, 1907.

"Examiner SMITH. Since January, 1907?

"Mr. H. H. FLATHER. Yes.

"Examiner SMITH. In the account kept by Lewis Johnson & Co. with the Riggs National Bank, under date of February 4, 1913, is shown the following transaction: 200 shares of Southern Pacific sold at the aggregate amount of \$21,221, and on February 5, 100 shares bought, and on February 10, 100 shares bought, leaving \$258.50, which was paid to the Riggs National Bank by a check of Lewis Johnson & Co. on February 8. Have you had a transcript at your disposal of Lewis Johnson & Co.'s account?

"Mr. HOGAN. You can answer that.

"Mr. H. H. FLATHER. Yes.

"Examiner SMITH. Have you looked up the details of this transaction?

"Mr. HOGAN. Of that transaction there [indicating] ?

"Examiner SMITH. Yes.

"Mr. HOGAN. Do you have any recollection of that transaction?

"Mr. H. H. FLATHER. I have not a recollection of it just now.

"Examiner SMITH. Did you or did you not look up this transaction?

"Mr. H. H. FLATHER. In the affidavit?

"Mr. HOGAN. In the Bennett affidavit?

"Examiner SMITH. I do not think it is in the Bennett affidavit.

"Mr. HOGAN. That is the only one you looked up?

"Mr. H. H. FLATHER. That is the only one I looked up.

"Mr. HOGAN. Then you can answer.

"Examiner SMITH. You have not looked this transaction up?

"Mr. HOGAN. If it is not in the Bennett affidavit.

"Examiner SMITH. No; it is not.

MR. HOGAN'S POOR MEMORY.

"Mr. HOGAN. Then he has not. You see, we cannot carry the dates in our minds.

"Examiner SMITH. I thought he might have a record of what he did look up and he could tell by looking at that.

"Mr. HOGAN. He can say about the Bennett transaction.

"Examiner SMITH. Then you have simply looked up the transactions that were in the Bennett affidavit?

"Mr. H. H. FLATHER. I looked those up.

"Examiner SMITH. Referring to the Bennett affidavit, Mr. Flather—

"Mr. HOGAN (interrupting). Pardon me, Mr. Smith. [Addressing Mr. H. H. Flather]. Have you a copy, or will you get it?

(Mr. H. H. Flather left the room for a moment, and upon returning handed Mr. Hogan a copy of the Bennett affidavit.)

"Mr. HOGAN. Mr. Smith, I shall decline to allow Mr. Flather to answer any questions pertaining to the Bennett affidavit, or any of the items therein contained. I take the position, as one of the counsel for this bank and as Mr. Flather's personal counsel, that they have no relation to the condition of this bank, as that term is used in section 5240 of the Revised Statutes of the United States; and I will have to be absolutely convinced, first, that this is an attempt to examine into the condition of this bank for the purpose of ascertaining its condition, and, second, I will have to have assurance from proper authority of the United States Government that any information Mr. Flather gives with respect to that would be given with full immunity that it would never be used in any sort of proceedings in any court hereafter. Until that assurance is given by the authorities having the right to give it, Mr. Flather will not answer any questions about the Bennett affidavit.

"Examiner SMITH. Then he declines to answer on the ground he might incriminate himself?

"Mr. HOGAN. You heard what I said, and I have nothing to add to that."

I have heretofore, as a matter of fact, already read into the record a large part of my correspondence with the Riggs Bank, and I should be pleased to have the entire correspondence printed—for study of it will furnish further convincing evidence of the correctness of the statements and representations made by me before your committee, and will show clearly that the charges, criticisms, and complaints made by this office against the Riggs National Bank were abundantly well founded. The bank's abuses and violations of law continued through a long period of years unabated until it was finally compelled, as a result of the efforts of this bureau, to desist from the unlawful and dangerous practices and operations which it had been carrying on unrestrained during practically its entire life.

UNLAWFUL AND IRREGULAR ACTS CONTINUOUSLY CRITICIZED FOR 17 YEARS PRIOR TO TERM OF PRESENT COMPTROLLER.

The attached volume of correspondence covers the period prior to my tenure of the office of Comptroller of the Currency, and includes 38 letters of criticism addressed to the bank by comptrollers or acting comptrollers between August 20, 1898, and November, 1913, and 36 communications from the Riggs National Bank to the comptroller in the same period.

The irregularities, violations of law, and other subjects of criticism shown in this correspondence include:

1. Excessive loans.
2. Irregular and "sloppy" methods of bookkeeping.
3. Unlawful investments in stocks.
4. Unlawful brokerage operations in bonds and stocks.
5. Unlawful real estate loans.
6. Deficiency in lawful money reserves.
7. Shortage in average reserve for 30 days preceding nearly every examination of the bank.
8. Excessive borrowings by the Riggs Bank.
9. Irregular bond and stock purchases carried as "cash."
10. Overdrafts irregularly carried.
11. Omission to hold meetings of directors.
12. Failure to charge off bad debts.
13. Unpaid interest items improperly carried as "cash."
14. Loans unlawfully made on bank's own stock.
15. Improper use of "dummy" or concealed loans, etc., etc.

BANK'S OFFICERS MAKE FALSE STATEMENTS TO COMPTROLLER ORALLY AND IN WRITING.

The record also shows various false statements made by officers of the bank—sometimes in writing under oath and sometimes orally—to the examiners, obviously for the purpose of misleading and deceiving the department and to cover up unlawful or irregular operations.

The absence from the correspondence of letters of criticism from the comptroller's office to the Riggs National Bank in 1909, 1910, 1911, and 1912 is due to the custom observed by my predecessor, Comptroller Murray, of having criticisms of national banks made mainly by the examiner's direct to the bank's board of directors rather than by letters from the comptroller's office addressed to the bank and supplementary to the examiner's direct criticism to the board. It may be assumed confidently that various matters of criticism embraced in the examiner's reports to this office during that period were brought directly by the examiner to the board of directors or the bank's officers, even though the bank's unlawful practices were allowed to continue. To sustain this assumption I submit, for printing with the 38 letters of criticism above referred to, excerpts from the reports of examiners from 1908 to 1913, both inclusive, and notations of matters subject to criticism at the time of those examinations.

PRESIDENT GLOVER SQUARELY CONTRADICTED BY BANK'S COUNSEL.

The correspondence which I submit herewith also includes a letter addressed jointly by President Glover, Vice President W. J. Flather, and Cashier H. H. Flather to the board of directors of the Riggs National Bank on June 18, 1914, regarding the "Glover and Flather" and "Flather and Flather" accounts, to which were credited the brokerage profits and commissions derived

from the bank's real estate and stock business, and which have been the subject of so much controversy. In that letter these officers of the Riggs Bank assumed to explain the nature of these accounts, and in the concluding paragraph declared:

"These facts are each and all doubtless perfectly well known to you, but we make this statement at the present time in view of the communications referring to the general subject lately received from the Comptroller of the Currency, and in order that this statement may be made of record in the minutes of the bank."

That the facts concerning the accounts of "Glover and Flather" and "Flather and Flather" were not "perfectly well known" to the directors is proved by Mr. F. S. McKenney, a director and also counsel for the bank.

In January, 1915, seven months after the date of the letter above quoted, during an examination by the national bank examiner of President Glover and Vice President W. J. Flather and Cashier H. H. Fylather he said:

"I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books. I have been a director since January 1, 1910, and never heard of the accounts until this correspondence began, and I do not believe that, outside of the officers, you will find any other directors on this board who knew anything about it, with the possible exception * * *

"Bank Examiner: You make that statement as a director of the Riggs National Bank?

"Mr. McKenney: I say that as a director of the Riggs National Bank since January 1, 1910, I never heard of the account of either Glover and Flather or Flather and Flather, up to the time of this correspondence beginning. I did not know that any such account existed."

Mr. McKenney, counsel and director of the Riggs National Bank, thus squarely refutes and contradicts the statement on this subject which President Glover, Vice President W. J. Flather, and Cashier H. H. Flather had made in that joint letter to the board of directors (which they hurriedly sought to get on the bank's minute book) after they had made to Bank Examiner Trimble various inconsistent statements shown to be untrue and contradictory, and which will be found elsewhere in this record.

Not only was Director McKenney, of counsel for the bank, deceived or misled in regard to the nature of these accounts, but the record further shows that former Senator Bailey, then acting as counsel for the bank, was also deceived by the bank's officers, as I pointed out in my letter to the Riggs National Bank of April 5, 1915, which appears in this record. In that same letter I also deemed it my duty as comptroller to direct that the record as then made be placed before the bank's board of directors, which I did in the following language:

OFFICERS INSTRUCTED TO SUBMIT LETTERS FROM COMPTROLLER TO BANK'S DIRECTORS.

"The statement made under oath by the officers of your bank at the examinations recently conducted by the national bank examiner, in accordance with section 5240 of the Revised Statutes of the United States, have been shown to have been so evasive, so contradictory, so misleading, and so untruthful that this office feels called upon to direct that this whole matter be brought forthwith to the attention of your board of directors for their consideration; and you are now directed to read this letter to your board of directors at their next meeting and also to lay before that meeting for its information the full stenographic reports of the several examinations made since January 1, 1915, by national bank examiners, of the officers of your bank."

It was in that same letter that I notified the bank in the following language that the Treasury Department would refuse thereafter to approve the Riggs National Bank as a depository for other national banks:

"Meanwhile, in view of the unsatisfactory and dangerous conditions which have come to light as a result of the investigations of your bank by this office and the national bank examiner, and in view of the unreliability of statements made by your officers, under oath or otherwise, and your long-continued defiance of the law and disregard of the instructions of this office, you are hereby notified that the Comptroller of the Currency will, until further notice, refuse to approve the Riggs National Bank as a depository for the reserves of other national banks."

Justice McCoy, of the Supreme Court of the District of Columbia, both in his interlocutory decision, rendered May 21, 1915, and in his final decision, rendered May 31, 1916, fully approved and confirmed the action of the comptroller in refusing to approve the Riggs National Bank as a depository for reserves of other banks. The language of his interlocutory decision on this point was as follows:

COURT'S OPINION THAT COMPTROLLER WOULD HAVE BEEN REMISS TO HAVE ALLOWED RIGGS BANK TO CONTINUE AS A DEPOSITORY FOR OTHER BANKS.

"It seems to me, on the record that is made here before me now, that the Government officials would have been remiss if they had consented to permit the bank to act as agent for a new applicant bank, because, I think, for the purposes of this motion, always—now, I am not passing on the ultimate merits of the case—there is evidence here of persistent violations of the law, and that they began, not with Mr. Williams's incumbency of the office (and that has another bearing, perhaps, on the question of what animated Mr. Williams), but they began before he came there, and there is evidence that they are continuing until this day; and even if the comptroller is wrong about what kind of a bank ought to have Government deposits (namely, a so-called commercial bank or stock exchange bank), even if those features were not in there, the other features of violations of the law are in there; and I should say that he was quite right in determining to take out those deposits, or at least to say that there should not be any further selection of this bank as a reserve agent.

"While we have nothing to do with the law of the case, I suppose that all judges have some right to consider matters of banking policy when they are called upon to decide legal questions. I should say that the policy of not having large deposits in so-called stock-exchange banks as compared with the amount of deposits in commercial banks was an absolutely good and sound policy, and the fact that Congress thinks so is now embodied in the Federal reserve act. This question about whether or not stocks are good, and whether or not dealing in stocks is any different from dealing in oats and grain and steers and hogs and that kind of thing, is an argument that does not need to be answered."

In denying the bank's request that the comptroller be enjoined from refusing to designate the Riggs Bank as a depository for the reserves of other national banks, Justice McCoy, in his decision, handed down May 31, 1916, also said:

"It is obvious that if the court has any power in the premises there is no statement of fact upon the basis of which it could act except as far as an allegation of the comptroller's alleged intention not to approve may be an allegation of fact. To enjoin him 'from refusing to approve the plaintiff bank as such a depository' can mean nothing unless it be to require the comptroller to approve, and there being no specific instance of an application pending, it amounts to asking the court to compel the comptroller to approve of any application. To state the request as thus analyzed is to show that it can not be granted."

LETTERS AND REPORTS SHOWING BANK'S VIOLATIONS OF LAW FOR 17 YEARS ACCOMPANY THIS LETTER.

The letters of criticism to the Riggs National Bank presented herewith include many lists of "excessive loans" made by the bank unlawfully to numerous borrowers. Out of consideration for these borrowers I have, with your approval, as suggested at the hearing on the 29th ultimo, deleted the borrowers' names and substituted numerals for names in the order in which the excessive loans appear in the correspondence. Where the same loan has been criticized more than once there is placed after the numeral indicating that particular borrower a dash (—) with another numeral indicating the number of times, up to the date of the letter of criticism, that loans to this particular borrower have been criticized by the comptroller's office as excessive. For example, if attention is directed to an excessive loan to John Smith and John Smith happens to be the fourth borrower whose excessive loans had been criticized by the examiner, and his loan had been up to that time criticized in seven different letters from the comptroller's office to the bank, this item of criticism is indicated thus:

"Excessive loan No. 4—seventh criticism of this borrower."

BANK LOSES \$29,468 ON LARGE LOAN CRITICIZED SEVEN TIMES BY PREVIOUS COMPTROLLERS.

The bank's persistent disregard of letters of criticism from the comptroller's office and the ensuing loss to shareholders are clearly shown by this record. For example: "Excess loan No. 39" for \$243,169 was criticized in the comptroller's letter to the bank on December 1, 1905 (eight years before I was connected with the Treasury), for the seventh time, and when it was eventually closed out the bank sustained a loss of \$29,468. It is a serious question whether the officers of the bank should not be held responsible for that loss. This loan, or the larger part of it, was still in the bank and under criticism when I began my investigation in July, 1914. It was mainly secured by stock of a local traction company in which the president of the bank had been heavily interested, and the stock certificates were in Mr. Glover's name. He gave the examiners different explanations for this—one that his influence in the company was thereby increased, the other that putting the borrowers' stock in Mr. Glover's name facilitated dividend collections. Excessive loan No. 18 for \$159,384 was criticized in the comptroller's letter of December 1, 1905, for the thirteenth time, covering a period of nearly seven years, and the loan was growing steadily larger during those years.

"DUMMY" OR CONCEALED LOANS "CARRIED FROM ONE BOOK TO ANOTHER FOR A GOOD MANY YEARS."

I also ask your consideration to the following list of loans which Examiner S. M. Hann reported the bank as having made to its officers and directors at the time of the examination of May 23, 1913: C. C. Glover, president, \$54,000; W. J. Flather, vice president, \$71,925; H. H. Flather, cashier, \$63,500; M. E. Alles, vice president, \$71,000; straight loans to other directors, \$387,000; indirect liabilities of other directors, \$113,656. Total loans, direct and indirect, but exclusive of "dummy" loans to officers and directors, on May 15, 1913, \$761,631. This total is exclusive of \$43,000 of concealed or "dummy" loans then outstanding made by the bank for the benefit of its vice president and cashier. A "dummy" loan for \$86,000 to President Glover was made in April, 1914, on the note of one of the clerks of the bank to facilitate a real estate transaction and was paid three days before the next examination.

The clerk in the bank who had been used as a "dummy" for President Glover has declared, as shown on page 694 of the present hearings, in regard to the bank's "dummy" or concealed loans:

"We have had these records of loans of that sort carried from one book to another for a good many years. I have been here 17 years."

EXAMINER REPORTED OVER \$800,000, OR MORE THAN 80 PER CENT OF RIGGS CAPITAL, LOANED OFFICERS AND DIRECTORS, PARTLY ON "DUMMY" LOANS.

At the very time of Examiner Hann's May, 1913, examination, to which Mr. Hogan has appealed as furnishing evidence of the bank's scrupulous management and sound methods, over \$805,000 of the bank's capital was being loaned, directly and indirectly, to the bank's active officers and directors. Over \$300,000 of this amount was being borrowed by the bank's president, its two vice presidents, and its cashier, partly on "dummy" loans, for their speculative and stock-market operations. This means that over 80 per cent of the bank's capital was at the time of Mr. Hann's examination being borrowed from the inside, largely—especially as to loans to its officers—on fancy stocks and securities of a highly speculative character.

After the officers of the bank, as a result of criticism from this office, had largely eliminated their loans from their own bank, the bank examiner reported to the comptroller that these officials had not really liquidated those loans, but had simply transferred them to other banks. This is discussed in my letter to the Riggs National Bank of March 30, 1915, in which I said:

FOUR OF RIGGS EXECUTIVE OFFICERS BORROWING \$750,000 FROM AFFILIATED BANKS AND TWO LOCAL TRUST COMPANIES.

"It is instructive, though not reassuring, just here to point out that these payments were largely made by transferring the loans of your officers to other national banks and to some of the trust companies of the District. The reports

of national bank examiners to this office indicate that the money being borrowed at a recent date from national banks and from trust companies of the District by four of the senior and junior active officers of your bank amounted to more than \$750,000.

BANK'S OFFICERS WERE SPECULATING ACTIVELY IN STOCK MARKET.

"These loans were all being carried by banking institutions in which one or more of your officers were either directors or employees, and by two of the local trust companies, and were secured mainly by stocks and bonds, many of the stocks decidedly speculative, such as Greene-Cananea Copper, Lanston Monotype, Nevada Consolidated Copper, Missouri, Pacific Railway, American Can, common; Reading, common; B. & O., common; United States Steel, common; Pacific Gas & Electric Co., common; Wabash 4s; Pacific Coast 2d preferred; United States Rubber, preferred; Intercontinental Rubber, common; Pittsburgh Coal, preferred; Washington Railway & Electric; Seaboard Air Line, preferred; Southern Railway, preferred; Utah Copper and Washington Utilities stock; and there was hypothecated in these loans nearly all of the stock of the Riggs National Bank owned by the borrowing officers.

RIGGS BANK UNDER CONTINUOUS CRITICISM FROM 6 COMPTROLLERS AND 10 EXAMINERS.

The bank was examined usually twice a year, and during the whole period, from its inauguration in 1896 until its unlawful operations were checked by the present comptroller, it had been criticized at the time of practically every examination by 6 successive comptrollers and 10 different national bank examiners. It continued, however, as I have shown you, its defiance of the law and its persistent disregard of the admonitions and criticisms of the Comptroller's Office until finally restrained through the efforts of this administration in 1914 and 1915.

I have also taken the liberty of including with these letters a letter which I wrote to Secretary McAdoo on June 9, 1914—the day which Mr. Hogan has fixed as the beginning of this controversy—in which I brought to the attention of the Secretary of the Treasury the conditions then existing in the Riggs National Bank, to which my attention had just been called by the national bank examiner. That letter, I believe, was submitted to the court in the Riggs Equity case as Exhibit H to the affidavit and answer to Hon. William G. McAdoo, Secretary of the Treasury. It presented a clear, though incomplete, picture of conditions in the Riggs bank and its methods of operation as disclosed at that time.

AFFIDAVIT WHICH RESULTED IN INDICTMENT OF C. C. GLOVER, H. H. FLATHER, AND W. J. FLATHER FOR PERJURY. ABOUT 6,000 STOCK TRANSACTIONS BETWEEN RIGGS BANK AND TWO BROKERAGE FIRMS UNCOVERED DESPITE BANK'S DENIAL AND AFFIDAVIT.

I also desire to introduce into this record the affidavit which Messrs. C. C. Glover, W. J. Flather, and H. H. Flather, president, vice president, and cashier, respectively, of the Riggs National Bank, submitted in the Riggs Equity case, in which they declared that the Riggs National Banks had not been buying and selling stocks, although the bank examiners in their investigation for a few years prior to June, 1914, had brought to light about six thousand (6,000) such transactions with Lewis Johnson & Co. alone were uncovered by the examiners.

"In the Supreme Court of the District of Columbia.

"Filed May 20, 1915, J. R. Young, clerk.

"The Riggs National Bank of Washington, D. C., v. John Skelton Williams, Comptroller of the Currency; William Gibbs McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States. Equity No. 33360. (Seal.)

"**AFFIDAVIT OF CHARLES C. GLOVER, WILLIAM J. FLATHER, AND HENRY H. FLATHER.**

"Charles C. Glover, William J. Flather, and Henry H. Flather, being first duly sworn, on oath say that they are, respectively, the president, one of the vice presidents, and the cashier of the Riggs National Bank; that they have

been connected with that institution since the first day of its organization as a national banking association; that the said bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; that the Riggs National Bank never at any time from its organization to the present ever made a short sale of stock to or through Lewis Johnson & Co.; that if there are any entries on the books of the bankrupt firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock, or made short sales, those entries are false; these affiants, on information and belief, say that an examination of the books of Lewis Johnson & Co. since that firm was declared bankrupt has shown many fictitious accounts, and the use of many accounts for the false entries of alleged transaction.

"CHARLES C. GLOVER.

"WILLIAM J. FLATHER.

"HENRY H. FLATHER.

"Subscribed and sworn to before me this 19th day of May, A. D. 1915.

[SEAL.]

"BESSIE B. SHEEHY,

"Notary Public, D. C."

The above affidavit resulted in the indictment of C. C. Glover, W. J. Flather, and H. H. Flather for perjury; but they were acquitted after Frank J. Hogan had taken the stand and had testified that the affidavit had been drawn by him as their counsel and had been signed by them at his instance. In the preparation of that affidavit Mr. Hogan had shown the same unscrupulous contempt for truth and facts which he recently displayed in his testimony before your committee.

In contrast with the bank's denial of its dealings in stocks, I here ask your attention to the bank's newspaper advertisements as to its business in stocks, referred to by Mr. Adkins in his testimony before this committee (p. 327) and to the following extract from a letter from the bank to the comptroller, dated November 19, 1913, admitting its stock business and "our purchases for customers," etc., in which the bank stated over the signature of its officers, Messrs. Glover, M. E. Alles, W. J. Flather, and H. H. Flather, and 11 other directors—Messrs. Johnson, Hyde, Henry, Paul, McLean, Hurt, Corby, Wilkins, Dulany, McKenney, and Perry, that—

"With respect to the statement of the examiner that it is the practice of the bank to carry items of *stock purchased for customers* in the cash, such items amounting to \$55,572.86 at the time of his visit, you are advised that for the most part *our purchases for customers* are immediately charged against their accounts. It sometimes happens that an order can not be fully executed at once and we have met with some small delays in completing orders as well as in charging purchases to accounts. The item above mentioned was largely caused by the absence of one of our important *customers* in Jamaica at the time his order was executed. In the future *we* will endeavor to avoid carrying these items in cash by making prompt charges against *customers'* accounts." (Italics mine.)

EVIDENCE FURNISHED SHOWED CASHIER FLATHER SYSTEMATICALLY DEFRAUDED
BANK'S CUSTOMERS ON STOCK TRANSACTIONS.

I also hand you with this a copy of the affidavit of Wesley M. Bennett, which was filed in the Riggs equity case and which illustrates the methods by which the customers of the Riggs Bank were defrauded by its former cashier, Henry H. Flather, on orders placed with the bank for the purchase and sale of bonds and stocks.

I also hand you with this copies of notices relating to purchases and sales of stocks passing between the now defunct firm of Lewis Johnson & Co. and the Riggs National Bank and H. H. Flather, cashier of the bank; also copies of checks delivered by Lewis Johnson & Co. to H. H. Flather, bearing Flather's indorsement and cashed by him, which were filed in court with the Lammond affidavit, but not printed with that affidavit, and which (see p. 659, printed hearings) I was given permission to introduce into the record. The exhibits are numbered A to Z-4.

BANK DESTROYS INCRIMINATING EVIDENCE, THOUGH HOGAN FALSELY DECLARES TO
SENATE COMMITTEE BANK HAD NEVER DONE SO.

When the national bank examiners were investigating the irregular stock transactions between the Riggs National Bank and the firm of Lewis Johnson

& Co. they put President Glover, Vice President Flather, and Cashier Flather under oath and questioned them in regard to those purchases and sales. The following extracts from the testimony given by these officials at the examination on May 28, 1915, show the evasive character of their answers, and also show that these officers tried to excuse themselves from submitting certain papers and documents needed to explain those irregular transactions on the ground that the papers had not been kept, but had been destroyed by the bank:

"Examiner SMITH. Mr. Glover, I want to find out, either from you or from the other officers of the bank that may have the details in charge—I want to get the record of the stocks purchased and sold through Lewis Johnson & Co. from the years 1906 to 1913, when the account was closed, the commissions which part of the time went into commission account, I believe, and after that into Glover and Flather. .

"Mr. GLOVER. Yes?

"Examiner SMITH. Has the bank got such a record?

"Mr. GLOVER. I do not think so. A committee has been appointed——

"Mr. HOGAN (interrupting). Wait a minute. Do you know whether the bank has such a record?

"Mr. GLOVER. No; I do not know that they have. I think they have not, but I do not know.

* * * * *

"Examiner SMITH. I want access to any of the books of the bank first, and instead of just simply having the officers say the books are all within these four walls I want to find out what books the various items are kept on.

"Mr. HOGAN. We will have to ascertain for you whether or not there are any books kept of those transactions.

"Examiner SMITH. I am asking that question of Mr. Glover.

"Mr. HOGAN. Mr. Glover does not know himself, as I understand you?

"Mr. GLOVER. No; I do not; at least I have no knowledge on that point.

"Examiner SMITH. Then suppose we ask both the Mr. Flathers to come in, so I can find out?

* * * * *

"Mr. HOGAN. Mr. Flather. Mr. Smith wants to know if there is any book kept in the bank or any books kept in the bank in which there were entered a record of any of the transactions of purchases of stock or anything else with Lewis Johnson & Co.

"Mr. W. J. FLATHER. Let me understand this, just what the question is?

"Mr. HOGAN. Are there books, or did the bank keep any books, in which they entered the transactions—did the bank or its officers or anybody connected with it keep any books in which were kept a record of the purchases of stock which you made?

"Mr. W. J. FLATHER. We have an order book there. Is that what you refer to?

"Examiner SMITH. That would contain orders and sales?

"Mr. W. J. FLATHER. That would contain orders and sales.

"Examiner SMITH. Orders and sales?

"Mr. W. J. FLATHER. Yes; purchases and sales.

"Examiner SMITH. That book has been kept all——

"Mr. W. J. FLATHER (interrupting). I do not know how long it was kept.

"Mr. HOGAN. It will show for itself.

"Examiner SMITH. He said there is a book, and I was going to ask if there was one or several?

"Mr. W. J. FLATHER. There is a book in which the orders for the purchase and sale of stocks and bonds have been entered. Is that what you want to know?

"Mr. HOGAN. Yes; there is such a book?

"Mr. W. J. FLATHER. Yes; there is such a book.

"Mr. HOGAN. Are there more than one of that kind?

"Mr. W. J. FLATHER. Yes; I think there are. I think there are two books, are there not?

"Mr. GLOVER. I don't know.

"Examiner SMITH. That is, two books or probably three? I mean a book like that has been kept continually for the purpose of recording purchases and sales or orders, as you call them?

"Mr. W. J. FLATHER. Yes; which have been kept. I can not say that that is a complete book, Mr. Smith.

"Mr. HOGAN. Is that all you have?

"Mr. W. J. FLATHER. It is all we have.

* * * * *

"Examiner SMITH. How about—I will address this remark generally, because I do not know—or I can ask each separately. How about the confirmation slips of purchases and sales sent to the bank by Lewis Johnson & Co.? Are those filed?

"Mr. W. J. FLATHER. Filed, you say?

"Examiner SMITH. Yes.

"Mr. W. J. FLATHER. There may be some of them in the office, Mr. Smith, but I do not know that they were filed. They were frequently put on the spindle, as other orders for drafts and the like of that. There may be some of them in the office. I do not know.

"Examiner SMITH. Do you mean—

"Mr. W. J. FLATHER (interrupting). They were not kept for any time.

"Examiner SMITH. Not kept at all, you mean?

"Mr. W. J. FLATHER. No; they were not considered of any value.

"Examiner SMITH. Were they just—

"Mr. W. J. FLATHER (interrupting). They were put on the spindle, and from time to time, like other waste paper, they were thrown away.

"Examiner SMITH. They were never permanently filed?

"Mr. W. J. FLATHER. No.

"Examiner SMITH. So there is no complete file of them?

"Mr. W. J. FLATHER. No, sir.

"Examiner SMITH. You usually handled these transactions, didn't you, Mr. H. H. Flather, with Lewis Johnson & Co.?

"Mr. H. H. FLATHER. Well, do you mean by giving the orders or receiving—

"Examiner SMITH (interrupting). Yes; giving the orders and receiving the checks or the notices.

"Mr. H. H. FLATHER. I gave a good many of the orders."

This furnishes only cumulative evidence of Mr. Hogan's complete disregard of truth. The record shows that the purchases and sales notices which were sent to the bank and which the bank destroyed were in the name of the Riggs National Bank and addressed to the bank as such. The purchases had been made by Lewis Johnson & Co. for the bank and credited by the bank on the passbook of Lewis Johnson & Co., and the brokerage firm paid the bank by check for the proceeds of the sales of the stock as sold.

On page 118 we find the following statement was made before your committee by Mr. Hogan on July 10, 1919.

MR. HOGAN'S FALSE AND SWEEPING DENIAL.

"I want to say, while I am looking for this, that during the entire existence of the Riggs National Bank none of its records were ever destroyed. No one had ever intimated that any of its records had been or would be destroyed. There was never any reason for destroying its records."

Mr. Hogan's foregoing statement is proved by the testimony of the bank officials quoted above to have been untrue—and was knowingly false—for Mr. Hogan had been present in May, 1915, when the officers of the bank excused themselves from producing those notices reporting the purchases and sales of stocks on the ground that they had been destroyed—in fact, Mr. Hogan had prompted or directed these officers in their replies during their examination.

Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customers of the bank.

BIGGS BANK'S LEADING OFFICERS WERE SPECULATING ACTIVELY IN STOCKS WITH BANK'S MONEY, ASSISTED BY THREE PRIVATE WIRES TO BROKERS' OFFICES AND USE OF "DUMMY" LOANS; CASHIER WAS SWINDLING BANK'S CUSTOMERS,¹ AND OTHER EMPLOYEES WERE EMBREZZLING LARGE SUMS AND FORGING SIGNATURES OF ITS DEPOSITORS TO CHECKS.

While, as the record shows, the cashier of the bank was speculating actively with the bank's funds and defrauding the bank's customers in the execution of

¹ See testimony of United States district attorney, pp. 388-391, hearings before Senate committee.

& Co. they put President Glover, Vice President Flather, and Cashier Flather under oath and questioned them in regard to those purchases and sales. Following extracts from the testimony given by these officials at the examination on May 28, 1915, show the evasive character of their answers, and also that these officers tried to excuse themselves from submitting certain and documents needed to explain those irregular transactions on the ground that the papers had not been kept, but had been destroyed by the bank:

"Examiner SMITH. Mr. Glover, I want to find out, either from you or the other officers of the bank that may have the details in charge—I want to get the record of the stocks purchased and sold through Lewis Johnson from the years 1906 to 1913, when the account was closed, the commission which part of the time went into commission account, I believe, and all of it into Glover and Flather."

"Mr. GLOVER. Yes?"

"Examiner SMITH. Has the bank got such a record?"

"Mr. GLOVER. I do not think so. A committee has been appointed—"

"Mr. HOGAN (interrupting). Wait a minute. Do you know whether the bank has such a record?"

"Mr. GLOVER. No; I do not know that they have. I think they have it, but I do not know."

* * * * *

"Examiner SMITH. I want access to any of the books of the bank instead of just simply having the officers say the books are all with them. I want to find out what books the various items are kept on."

"Mr. HOGAN. We will have to ascertain for you whether or not there are any books kept of those transactions."

"Examiner SMITH. I am asking that question of Mr. Glover."

"Mr. HOGAN. Mr. Glover does not know himself, as I understand you."

"Mr. GLOVER. No; I do not; at least I have no knowledge on that."

"Examiner SMITH. Then suppose we ask both the Mr. Flathers to see if I can find out?"

* * * * *

"Mr. HOGAN. Mr. Flather, Mr. Smith wants to know if there is any record kept in the bank or any books kept in the bank in which there was a record of any of the transactions of purchases of stock or anything else through Lewis Johnson & Co."

"Mr. W. J. FLATHER. Let me understand this, just what the question is."

"Mr. HOGAN. Are there books, or did the bank keep any books, in which were entered the transactions—did the bank or its officers or anybody else keep any books in which were kept a record of the purchases of stock or anything else?"

"Mr. W. J. FLATHER. We have an order book there. Is that what you refer to?"

"Examiner SMITH. That would contain orders and sales?"

"Mr. W. J. FLATHER. That would contain orders and sales."

"Examiner SMITH. Orders and sales?"

"Mr. W. J. FLATHER. Yes; purchases and sales."

"Examiner SMITH. That book has been kept all—"

"Mr. W. J. FLATHER (interrupting). I do not know how long it has been kept."

"Mr. HOGAN. It will show for itself."

"Examiner SMITH. He said there is a book, and I was going to ask you whether it was one or several?"

"Mr. W. J. FLATHER. There is a book in which the orders for the purchase and sale of stocks and bonds have been entered. Is that what you want to know?"

"Mr. HOGAN. Yes; there is such a book?"

"Mr. W. J. FLATHER. Yes; there is such a book."

"Mr. HOGAN. Are there more than one of that kind?"

"Mr. W. J. FLATHER. Yes; I think there are. I think there are several of them."

"Mr. GLOVER. I don't know."

"Examiner SMITH. That is, two books or probably three? I mean that has been kept continually for the purpose of recording purchases and sales of stocks and bonds, as you call them?"

"Mr. W. J. FLATHER. Yes; which have been kept. I can not say whether it is a complete book, Mr. Smith."

Q. Is that all you have?
A. That is all we have.

Q. Now about— I will address this remark generally to you— if I call any one separately. How about the confirmation of the order in the name of Lewis Johnson & Co? Are

A. Yes, you say?

Q. Yes.

A. There were some of them in the office. Mr. Smith had them they were filed. They were frequently put on the stand for examination in the line of that. There may be some of them in the room.

Q. Is that all?

A. Yes, everything. They were not kept for any time.

Q. No, not at all, you mean.

A. Yes, they were not considered of any value.

Q. Were they not?

A. Yes, everything. They were not on the stand, and from a certain point of view they were thrown away.

Q. They were never permanently filed?

A. No.

Q. Is there is no complete file of them?

A. No, sir.

Q. You usually handled these transactions, didn't you, Mr. Williams?

A. Well, I was in the office giving the orders or receiving—

Q. Yes, giving the orders and receiving the—

A. Yes, I gave a good many of the orders.

Q. The cumulative evidence of Mr. Hogan's complete disregard of the law shows that the purchases and sales notices which were sent to the bank were in the name of the Rice National Bank. The purchases had been made to the bank on credit of the bank on the passbook and the bank had paid the bank by check for the amount of the stock as sold.

Q. The following statement was made before your committee on May 10, 1911:

MR. HOGAN'S FALSE AND SWEEPING DENIAL.

"While I am looking for this that during the entire existence of the Bank none of its records were ever destroyed. No one was authorized to destroy any of its records and none would be destroyed. The reason for this is that its records."

Q. This statement is proved by the testimony of the bank officers to have been made, untrue—and was knowingly false—for Mr.

Hogan in May, 1911, when the officers of the bank excused producing these notices reporting the purchases and sales of stock and that they had been destroyed—Mr. Hogan had told these officers in their replies during the examination. The extreme destruction which the bank's officers would have aided in the destruction of the bank's records which would have aided in the destruction of the bank's records. Mr. Hogan's statement, the destruction of the bank's records.

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orders; while Mr. Glover, the president, and other officers were also speculating in the stock market, assisted by the three private wires connecting the bank's executive offices with different stock-brokerage concerns, and while the president, the vice president, and the cashier of the bank were making indirect or "dummy" loans in the names of the bank's clerks and outsiders, to facilitate their real estate and stock market operations, and while these officials were also borrowing large sums directly from the bank and also from other affiliated institutions, we find that the junior officers and clerks of the bank, emulating the examples set them, were also speculating in the market. The record discloses two embezzlements in the bank—in one case—\$7,250 by a note teller, which had been going on in that demoralizing atmosphere for six or eight years prior to 1914, and another case, more recent, for \$28,872; the same embezzler also forged the signature to a check of one of the bank's customers for an additional sum of \$20,000.

Mr. Chairman, in fairness to many of the directors of the bank, allow me to say in conclusion that it is my opinion that probably a majority of the men who were directors of the Riggs National Bank at the beginning of my examination of that institution in 1914—other than its four principal officers—were not cognizant of its unlawful and reprehensible operations, and probably knew no more about them than Mr. McKenney, director and counsel for the bank, knew of those brokerage and commission accounts known as "Glover and Flather" and "Flather and Flather," of which he said: "I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books," thus flatly contradicting Mr. Glover, who in his letter, to which I have already referred, had said to his fellow directors concerning these same accounts: "These facts are each and all doubtless perfectly well known to you."

OF 15 DIRECTORS IN 1914 (OTHER THAN OFFICERS) ONLY 3 SURVIVE ON PRESENT BOARD.

Of the 18 men who were directors of the Riggs National Bank in the summer of 1914, when the investigation began, 5 are dead. One, a director, who was also the senior counsel of the bank, died under peculiarly tragic circumstances during the investigation. Seven others have resigned or retired. One of these, who was also cashier of the bank, was forced off the board for swindling the bank's customers, so that of the 15 directors serving in June, 1914, exclusive of the officials, Messrs. Glover, Alles, and W. J. Flather, only 3 survive on the present board.

I have no way of knowing whether members of your committee gave to Mr. Hogan's statement any credence at all. Judging by myself, however, I know it is difficult for any man accustomed to dealing with fairly honest men to suppose that an intelligent witness assuming solemn obligation in a serious matter and before a responsible body, would deliberately make reckless, false statements. Therefore I assume it is necessary for me to impress on you the fact that Mr. Hogan did make such statements, and made them repeatedly, and I will now give you proof that he did.

HOGAN DELIBERATELY MISREPRESENTS TO SENATE COMMITTEE THE DECISION IN RIGGS CASE.

In his testimony, page 54, is this paragraph:

"When the judge rendered his opinion, with that accuracy and intelligence which ordinarily characterizes the press, it had sent out the report that the Riggs Bank had won, as it had on every single, solitary question which was before the court—every one."

If he had inserted the word "agent" after "press," his tribute to the "intelligence and accuracy" of that unhappily familiar means of reaching the public ear would have been very fine sarcasm. He has told before your committee that Mr. George G. Hill, author of the venomous attacks on the Treasury Department in connection with the embarrassed trust company (which were published in the New York Tribune and viséed by an official of the Riggs Bank), was taken into the employment of the Riggs Bank as its press agent for the purpose of the trial immediately after his separation from the Tribune.

WHERE PRESS MAY HAVE GOTTEN ITS FALSE CONCEPTION OF COURT'S DECISION.

The press, for the moment, may have accepted Mr. Hill's "intelligent" interpretation of Judge McCoy's decision. It is possible that Mr. Hill derived from Mr. Hogan himself the view which Mr. Hogan now quotes as an illustration of intelligence and accuracy—the same variety of "intelligence and accuracy" which governed Mr. Hogan in drawing the affidavit which caused his clients to be indicted for perjury and required for their acquittal his assumption of responsibility and their confession of childlike confidence in his guidance.

Your committee is invited, however, to contrast with Mr. Hogan's tribute to the press the actual language of the court's decision. The Riggs National Bank, in its suit, charged the Secretary of the Treasury and the Comptroller of the Currency with conspiring to injure that bank. It denied the right of the Comptroller of the Currency to call for certain special reports which had been demanded regarding the bank's operations, etc. The refusal of the bank to furnish one of these reports had resulted in the assessment of a fine of \$5,000, and the bank asked that the collection of that fine be enjoined, not on the ground that the bank had been requested to furnish the information over the signatures of more of its officers than the statute specified, but on the ground that the comptroller had no right to call for the report.

A SMALL TECHNICAL QUESTION WAS ONLY POINT IN BANK'S FAVOR IN ENTIRE DECISION.

The only point decided in favor of the bank in the entire decision was the judge's conclusion that, as the comptroller had directed that the special reports should be furnished over the signature of the president and cashier and certain other officers of the bank instead of over the signature of the president or cashier, attested by not less than three directors, the comptroller could not assess the penalty of \$100 per day provided by statute, on reports previously called for, and on account of the refusal to furnish which the \$5,000 fine had been imposed. But the court's decision declared clearly that if the bank should at any time refuse to furnish any of the reports called for by the comptroller, signed as provided by statute, the bank would be subject to the continuing penalty of \$100 per day for each refusal. The exact language of the court on this point was:

"* * * therefore it must be held in this case that the comptroller, having called for a report not verified and attested as provided in the statute, did not place himself in a position where he could lawfully assess a penalty for a failure to comply with the demands which he made."

The court also said (p. 370):

"When a report which relates to the affairs of a bank is called for by a comptroller he should not be required to come into court, and before being permitted to proceed with the inquiry to show to the court all the facts and circumstances which have come to his knowledge in a large and important bureau of the Government on which he is authorized to act, thereby rendering it impossible, perhaps, for the comptroller to save a failure or serious loss, or to apply corrective measures to remedy a situation having in it elements of danger, unless beyond a reasonable doubt practically it can be said that the information is not necessary.

"The actions of the comptroller, on the basis of which specific charges are made to the effect that he was acting in excess of his powers, examined in the light of the views above expressed, must be upheld as lawful."

BANK'S OFFICERS AND DIRECTORS ADMIT COURT SUSTAINED COMPTROLLER'S RIGHT TO ALL REPORTS CALLED FOR WHICH BANK REFUSED TO FURNISH.

As against Mr. Hogan's brazen claim that the bank had won on "every point" before the court in the equity suit I invite your attention to the statement made by the bank itself in its letter to the Comptroller of the Currency of June 21, 1916, in which the Riggs National Bank frankly admitted, over the signature of its president, both vice presidents, cashier, assistant cashier, and 11 directors: "The court sustains the right of the comptroller to have the reports and information called for, and the right to impose fines in accordance with the provisions of the statute, if the bank shall refuse them."

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orders; while Mr. Glover, the president, and other officers were also speculating in the stock market, assisted by the three private wires connecting the bank's executive offices with different stock-brokerage concerns, and while the president, the vice president, and the cashier of the bank were making indirect or "dummy" loans in the names of the bank's clerks and outsiders, to facilitate their real estate and stock market operations, and while these officials were also borrowing large sums directly from the bank and also from other affiliated institutions, we find that the junior officers and clerks of the bank, emulating the examples set them, were also speculating in the market. The record discloses two embezzlements in the bank—in one case—\$7,250 by a note teller, which had been going on in that demoralizing atmosphere for six or eight years prior to 1914, and another case, more recent, for \$28,872; the same embezzler also forged the signature to a check of one of the bank's customers for an additional sum of \$20,000.

Mr. Chairman, in fairness to many of the directors of the bank, allow me to say in conclusion that it is my opinion that probably a majority of the men who were directors of the Riggs National Bank at the beginning of my examination of that institution in 1914—other than its four principal officers—were not cognizant of its unlawful and reprehensible operations, and probably knew no more about them than Mr. McKenney, director and counsel for the bank, knew of those brokerage and commission accounts known as "Glover and Flather" and "Flather and Flather," of which he said: "I venture to say that there was no director on the board, outside of the officers, who ever knew any such accounts were carried on the books," thus flatly contradicting Mr. Glover, who in his letter, to which I have already referred, had said to his fellow directors concerning these same accounts: "These facts are each and all doubtless perfectly well known to you."

OF 15 DIRECTORS IN 1914 (OTHER THAN OFFICERS) ONLY 3 SURVIVE ON PRESENT BOARD.

Of the 18 men who were directors of the Riggs National Bank in the summer of 1914, when the investigation began, 5 are dead. One, a director, who was also the senior counsel of the bank, died under peculiarly tragic circumstances during the investigation. Seven others have resigned or retired. One of these, who was also cashier of the bank, was forced off the board for swindling the bank's customers, so that of the 15 directors serving in June, 1914, exclusive of the officials, Messrs. Glover, Ailes, and W. J. Flather, only 3 survive on the present board.

I have no way of knowing whether members of your committee gave to Mr. Hogan's statement any credence at all. Judging by myself, however, I know it is difficult for any man accustomed to dealing with fairly honest men to suppose that an intelligent witness assuming solemn obligation in a serious matter and before a responsible body, would deliberately make reckless, false statements. Therefore I assume it is necessary for me to impress on you the fact that Mr. Hogan did make such statements, and made them repeatedly, and I will now give you proof that he did.

HOGAN DELIBERATELY MISREPRESENTS TO SENATE COMMITTEE THE DECISION IN RIGGS CASE.

In his testimony, page 54, is this paragraph:

"When the judge rendered his opinion, with that accuracy and intelligence which ordinarily characterizes the press, it had sent out the report that the Riggs Bank had won, as it had on every single, solitary question which was before the court—every one."

If he had inserted the word "agent" after "press," his tribute to the "intelligence and accuracy" of that unhappily familiar means of reaching the public ear would have been very fine sarcasm. He has told before your committee that Mr. George G. Hill, author of the venomous attacks on the Treasury Department in connection with the embarrassed trust company (which were published in the New York Tribune and viséed by an official of the Riggs Bank), was taken into the employment of the Riggs Bank as its press agent for the purpose of the trial immediately after his separation from the Tribune.

WHERE PRESS MAY HAVE GOTTEN ITS FALSE CONCEPTION OF COURT'S DECISION.

The press, for the moment, may have accepted Mr. Hill's "intelligent" interpretation of Judge McCoy's decision. It is possible that Mr. Hill derived from Mr. Hogan himself the view which Mr. Hogan now quotes as an illustration of intelligence and accuracy—the same variety of "intelligence and accuracy" which governed Mr. Hogan in drawing the affidavit which caused his clients to be indicted for perjury and required for their acquittal his assumption of responsibility and their confession of childlike confidence in his guidance.

Your committee is invited, however, to contrast with Mr. Hogan's tribute to the press the actual language of the court's decision. The Riggs National Bank, in its suit, charged the Secretary of the Treasury and the Comptroller of the Currency with conspiring to injure that bank. It denied the right of the Comptroller of the Currency to call for certain special reports which had been demanded regarding the bank's operations, etc. The refusal of the bank to furnish one of these reports had resulted in the assessment of a fine of \$5,000, and the bank asked that the collection of that fine be enjoined, not on the ground that the bank had been requested to furnish the information over the signatures of more of its officers than the statute specified, but on the ground that the comptroller had no right to call for the report.

A SMALL TECHNICAL QUESTION WAS ONLY POINT IN BANK'S FAVOR IN ENTIRE DECISION.

The only point decided in favor of the bank in the entire decision was the judge's conclusion that, as the comptroller had directed that the special reports should be furnished over the signature of the president and cashier and certain other officers of the bank instead of over the signature of the president or cashier, attested by not less than three directors, the comptroller could not assess the penalty of \$100 per day provided by statute, on reports previously called for, and on account of the refusal to furnish which the \$5,000 fine had been imposed. But the court's decision declared clearly that if the bank should at any time refuse to furnish any of the reports called for by the comptroller, signed as provided by statute, the bank would be subject to the continuing penalty of \$100 per day for each refusal. The exact language of the court on this point was:

"* * * therefore it must be held in this case that the comptroller, having called for a report not verified and attested as provided in the statute, did not place himself in a position where he could lawfully assess a penalty for a failure to comply with the demands which he made."

The court also said (p. 370):

"When a report which relates to the affairs of a bank is called for by a comptroller he should not be required to come into court, and before being permitted to proceed with the inquiry to show to the court all the facts and circumstances which have come to his knowledge in a large and important bureau of the Government on which he is authorized to act, thereby rendering it impossible, perhaps, for the comptroller to save a failure or serious loss, or to apply corrective measures to remedy a situation having in it elements of danger, unless beyond a reasonable doubt practically it can be said that the information is not necessary.

"The actions of the comptroller, on the basis of which specific charges are made to the effect that he was acting in excess of his powers, examined in the light of the views above expressed, must be upheld as lawful."

BANK'S OFFICERS AND DIRECTORS ADMIT COURT SUSTAINED COMPTROLLER'S RIGHT TO ALL REPORTS CALLED FOR WHICH BANK REFUSED TO FURNISH.

As against Mr. Hogan's brazen claim that the bank had won on "every point" before the court in the equity suit I invite your attention to the statement made by the bank itself in its letter to the Comptroller of the Currency of June 21, 1916, in which the Riggs National Bank frankly admitted, over the signature of its president, both vice presidents, cashier, assistant cashier, and 11 directors: "The court sustains the right of the comptroller to have the reports and information called for, and the right to impose fines in accordance with the provisions of the statute, if the bank shall refuse them."

I have heretofore given you the language of the court declaring emphatically that there was no evidence of conspiracy or malice on the part of the Secretary of the Treasury or the Comptroller of the Currency and expressing the opinion that if there was malice it was on the part of the officers of the bank.

I shall now ask your attention to the following verbatim excerpts from the decision, showing clearly that the Comptroller of the Currency was justified in each and every demand which he made upon the bank, save only the technical question relating solely to the signatures to the report.

Justice McCoy, in the decision, reviewed the whole case at considerable length, quoting numerous decisions of the Supreme Court of the United States in support of his positions. Each of the Riggs Bank's contentions was dealt with and disposed of conclusively.

I invite your consideration to the language of the court:

COURT DECLARES BANK'S CHARGES AS TO MALICE AND BAD FAITH OVERWHELMINGLY
"MET AND OVERCOME."

In opening the decision the court said:

"The affidavits submitted by the defendants on the motion for preliminary relief completely met and overcame the charges of malice and bad faith on the part of the Secretary of the Treasury and the Comptroller of the Currency; consequently, the motion for preliminary relief was denied except in so far as it made necessary a consideration of the question of the powers of the comptroller to call for special reports from banks."

The various contentions of the bank are then taken up by the court and disposed of one by one.

TEXT OF COURT'S DECISION PROVES GROSS FALSITY OF ATTORNEY HOGAN'S CLAIMS.

1. *Right of the comptroller to information called for June, 1914, at beginning of controversy.*—"The information called for by the comptroller in regard to the list of loans in excess of \$5,000 secured by collaterals should have been furnished. The contention is made that he made a demand that the information be given 'at once,' but that fact can not be clearly ascertained from reading the paragraph, and it rather appears that when the comptroller said that he wanted the information at once it was merely an answer to the suggestion of the officers of the bank that they would take the matter up with the board of directors." (P. 370.¹)

2. *Demand for information regarding private wires to brokers' offices "eminently proper."*—"The demand to be informed whether or not the plaintiff was maintaining a private telegraph wire connected with stock-brokerage houses in New York was an eminently proper inquiry, but so was that set forth in the fifteenth paragraph of the bill, as it related to expenditures being made at the time by the bank." (P. 370.¹)

3. *Bank was wrong in refusal to give information regarding "Flather and Flather" private accounts.*—"It is stated that the comptroller demanded that certain officers of the bank express an opinion as a matter of law to the best of their knowledge and belief as to who was the owner of a certain account standing in the name of 'Flather and Flather.' The allegation is that the comptroller was informed of every fact respecting this account, amount thereof, source of funds credited to the account, and the use from time to time made of those funds was fully and repeatedly stated to the comptroller. Two officers of the bank at the time bore the name of Flather. If the bank knew as much about the account as the allegation indicates, the court will not assume that under those circumstances it was unreasonable to call for an expression of the knowledge and belief of the officers of the bank as to whom, between the bank and the persons named as depositors, the funds really belonged. Possibly, if all facts in regard to the account which, as the bill says, were stated to the comptroller has been stated in the bill for the information of the court, a different conclusion might be reached; but the comptroller did not have the facts stated, and having them may well have been justified in asking for the best of the knowledge and belief of the officers as to the ownership of this account, which is not calling for an opinion on a question of law." (P. 370.¹)

4. *Time allowed bank by comptroller for furnishing reports approved by court.*—"Certain reports were called for and a time longer than five days was

¹ Reference is to page in present printed hearings.

specified for some of them. It is not obvious why the bank should complain of the giving of a longer time. The paragraph also states that compliance was physically impossible, but it is not alleged that any effort was made to get an extension of time, nor does it state what the demands were, so as to permit the court to form any opinion as to whether there was anything objectionable in the demand." (P. 370.¹)

5. *Comptroller's demand for information regarding loans to Treasury officials approved.*—"There was a demand for information in regard to loans made by the plaintiff, directly or indirectly, to Secretaries of the Treasury and Assistant Secretaries of the Treasury of the United States, to Comptrollers of the Currency, to national-bank examiners, and to employees of the comptroller's office. The demand certainly can not be considered an improper one, especially if any officers of the bank have been officers since its organization, to which time reference is made in the demand and the facts in that regard should be fully stated." (Pp. 370-371.¹)

6. *Calls for special reports regarding commercial paper "clearly proper."*—"The demand for information in regard to commercial paper being carried by plaintiff was clearly proper, relating, as it did, to the assets of the bank." (P. 371.¹)

7. *Bank's complaint regarding special report concerning Government bonds not supported.*—"The details of the demand for a special report in regard to United States bonds shown in the regular report of the bank are not sufficiently set forth to enable the court to determine what is complained of." (P. 371.¹)

8. *Calls for reports regarding shares held by directors approved.*—"The gist of one of the charges seems to be that the comptroller made calls on a certain national bank other than the plaintiff and a certain trust company in which officers of the plaintiff were directors and that he disregarded the fact that while a national bank director is required to own 10 shares of stock, directors of trust companies are under no such requirement. The comptroller has a right to make an inquiry in regard to ownership of stock by the directors of a bank, and it does not appear what his demand for information in regard to the ownership of stock in trust companies has to do with this case unless it be to show the malice charged, but the facts are not set forth fully enough to enable the court to take any action based upon the alleged improper conduct of the comptroller. Moreover, the comptroller has the same powers over trust companies in the District of Columbia as he has over national banks. Code, sec- penditures * * *." (P. 371¹)

9. *Bank's objection to employment of special examiners not sustained.*—"The paragraphs of the bill contain allegations that the defendant Williams said that he would not believe the statements of the plaintiff's officers; that certain lengthy examinations were made by bank examiners, and that a bank examiner was brought from without the jurisdiction of the District of Columbia and made a long examination of the plaintiff's officers, are not statements of facts entitling plaintiff's to relief." (P. 371.¹)

10. *Comptroller's demand for printed copies of correspondence justified.*—"The comptroller rightly asked to be informed in regard to the expenditure of money for printed copies of the correspondence, and for the other information on that matter in order to enable him to determine the propriety of those expenditures * * *." (P. 371.¹)

11. *Comptroller right in asking whether any of plaintiff's books or records had been destroyed.*—"The court also declared that the comptroller was right when he called on the bank to inform him "as to whether or not any of the plaintiff's books or records had been destroyed." (P. 371.¹)

12. *Comptroller's demand for information in regard to "dummy" or other loans to officers and employees was rightly made.*—"The circumstances surrounding the demands for the failure to comply with which the penalty of \$5,000 was assessed are fully set forth above. That demand was twofold: First, for information in regard to all direct loans made by the bank to certain of its then officers, and, second, for information in regard to all indirect or dummy or concealed loans made since the organization of the bank for the benefit, directly or indirectly, of those officers, or any of them, including all loans for which they or any of them had indorsed or for which they had furnished the whole or any part of the collateral by which loans to any of them were secured, and for other information as shown by the quotation of said paragraph above. In the view which the court takes of the power of the comptroller these demands were entirely within his powers. The reply of the bank, it will be noted, states that when the last examination of the bank was conducted there were no loans to

the officers standing on the books, and likewise, in regard to demand for loans made to them under cover, and it is not denied that the latter sort of loan had been made. Evidently the main contention sought to be raised by the allegation in this paragraph is that the transactions of the sort referred to, having been closed a considerable time prior to the making of the demand, were not the proper subject of inquiry by the comptroller. The court has indicated a view to the contrary above and it is perfectly obvious that as to concealed loans made for the benefit of the officers of the bank no possible limit to the scope of an inquiry by the comptroller could be reasonably suggested. The bill alleges that a bank examiner had gone over the books back to the date when the plaintiff began to do business." (P. 371.¹)

13. *Comptroller's demand that bank submit correspondence to board of directors upheld.*—"It is stated that the comptroller, in requiring that certain facts be laid before the board of directors, did so for the purpose of discrediting the plaintiff's officers before the board of directors and to drive them from their official positions. This practice is practically approved by the Supreme Court of the United States in *Jones National Bank v. Yates et al.*, decided April 3, 1916, in which case it appeared that a letter from the comptroller 'emphasized the duty of the directors with respect to the conduct of the bank's affairs, and it concluded with a request for a reply over the directors' individual signatures.'" (P. 371.¹)

14. *No foundation for bank's claim that comptroller acted maliciously.*—"The bill alleges that the acts of the comptroller were done maliciously. This is merely the statement of a conclusion of law not admitted by demurrer. Malice in law means nothing more than the intentional doing of a wrongful act without justification and within the meaning of the definitions such an act is one which, in the ordinary course, is calculated to infringe and does, in fact, infringe upon the rights of another to his damage unless it be done in the exercise of an equal or superior right. *Brennan v. United States* (73 N. J. Law, 729). The comptroller was acting within his powers and in performance of his duty so far as calling for the reports is concerned; therefore as no right of the plaintiff was infringed, he was not acting maliciously." (Pp. 271-272.¹)

15. *Bank's complaint concerning Panama deposits baseless.*—"There is a complete failure to show that for the purpose of wrecking the plaintiff bank the defendant took advantage of conditions arising out of the war in Europe. In fact, the plaintiff's own specific allegations disprove the coincidence on which alone such a charge could be based." (P. 359.¹)

16. *Criticism regarding Red Cross deposits unfounded.*—"There are numerous allegations in the bill inserted apparently for the purpose of establishing malice and showing a conspiracy, notably that of the action of the comptroller in regard to the Red Cross funds, but a reading of the allegations in that regard show satisfactorily that defendant Williams, as treasurer of the Red Cross funds, was taking perfectly proper steps to obtain the largest possible revenue from it while on deposit. The plaintiff was given the same opportunity that was given to others to have those deposits made in its bank." (P. 372.¹)

17. *No support for charges of hostility to bank's officers.*—"Another allegation is that the defendants, McAdoo and Williams, 'had in ways which will be fully detailed in the evidence to be taken in this suit openly and publicly manifested their personal malice toward certain of the plaintiff's officers.' Without considering that the plaintiff's officers are not the bank and that the defendant might be hostile to plaintiff's officers while being solicitous for the welfare of the stockholders, it is obvious that if the plaintiff wished any action to be taken based on the existence of such hostility it should have stated the facts fully enough to permit the court to determine the existence of such feeling. The other allegations inserted in the bill for the purpose of showing malice do not require any special reference." (P. 372.¹)

18. *Court denies bank's claim that the \$100 per day penalty did not apply to special reports.*—"The act of March 3, 1869, section 1, after providing for five regular reports, provided as follows: 'And the comptroller shall also have power to call for special reports from any particular association whenever, in his judgment, the same shall be necessary in order to a full and complete knowledge of its condition.'

"Any association failing to make and transmit any such report shall be subject to a penalty of \$100 for each day after five days that such bank shall delay to make and transmit any report as aforesaid. * * *"

"Section 2 of the act provides:

"That, in addition to said reports, each national-banking association shall report to the Comptroller of the Currency the amount of each dividend declared by said association and the amount of net earnings in excess of said dividends, which report shall be made within two days after the declaration of each dividend and attested by the oath of the president or cashier of said association, and a failure to comply with the provisions of this section shall subject such association to the penalties provided in the foregoing section."

"In view of this previous legislation it can not be successfully maintained that Congress intended, in revising the statutes, to make any change as to what was required nor as to the penalty to be imposed. Congress simply enacted in three sections what had previously been contained in two sections of a single act." (Pp. 372-373.¹)

19. *Refusal of bank's officers to furnish data on ground that to do so would incriminate them was unlawful.*—"The demands made by the comptroller were that the bank make certain reports. If the demand had included the production of books and papers of the plaintiff the officers of the bank would have no privilege of refusing to produce them, because they might contain matter which would incriminate the officers or lead to punishment of the corporation. *Hale v. Henkel* (201 U. S., 42; *Wilson v. United States*, 221 U. S., 361.) As was stated in the latter case, the State has visitatorial powers over corporations. The fourth amendment of the Constitution protects a corporation against unreasonable searches and seizures but the fifth amendment, providing against compelling a person to be a witness against himself in a criminal case, does not prevent the compulsory production of the books of the corporation by one of its officers. So here the bank can not excuse its failure to give a report simply because any of its officers required to furnish it raise the question of self-incrimination.

"The plaintiff can not object to giving the information demanded of it by the comptroller nor urge any constitutional ground as a basis for refusing, having accepted its charter under a statute giving the right to call for such reports." (Pp. 373-374.¹)

20. *Comptroller's refusal to approve Riggs National Bank as depository sustained.*—"The plaintiff would have the court enjoin the comptroller from revoking any designation of the plaintiff as a depository and from refusing to approve of the bank as such. The prayer of the bill also asks that if the comptroller has in form revoked such designation or in form refused such approval, then that such revocation or refusal may be decreed to be null and void.

"It is obvious that if the court has any power in the premises there is no statement of fact upon the basis of which it could act except as far as an allegation of the comptroller's alleged intention not to approve may be an allegation of fact. To enjoin him 'from refusing to approve the plaintiff's bank as such a depository' can mean nothing, unless it be to require the comptroller to approve, and there being no specific instance of an application pending it amounts to asking the court to compel the comptroller to approve of any application. To state the request thus analyzed is to show that it can not be granted." (P. 375.¹)

21. *Court refuses bank's petition that the comptroller be enjoined from future violations of law.*—"The plaintiff seeks to have the comptroller enjoined generally from future violations of the law so far as his acts might affect it. Such an injunction could not be upheld. A court will not stop an officer vested with powers to be exercised at his discretion from performing his statutory duty for fear that he should perform it wrongly." (P. 375.¹)

22. *Right of comptroller to exercise discretion as to assessment of penalty for delay or refusal to furnish reports sustained.*—"The purpose of the act giving the comptroller power to call for special reports is obvious. Supervision over national banks is vested in him. In order that he may perform his duties he is given authority by the section here under consideration to call for special reports when, in his judgment, they are necessary to a full and complete knowledge of the condition of the bank. He alone having power to act, and therefore being the only one for whose benefit information is necessary, is the only one to determine that question, and also whether his call for a special report has been complied with. There can be no doubt, then, of his right to say that the plaintiff has given him the information desired, nor that, having so announced to the plaintiff the liability of the latter to penalties ceased as of the respective times when the reports were received." (Pp. 353-354.¹)

CHARGES RECHLESSLY MADE—ALL OVERWHELMINGLY REFUTED.

I realize and regret that the record has been lengthened to proportions taxing your time and patience, but because of the latitude granted those who have made

wanton charges against me this has seemed necessary for my protection. From my point of view I have been vindictively and remorselessly assailed. Every available weapon, person, and method for attacking my character as a man and reputation as an official before your committee, the Senate, and the public has been used with eager malice. Each accusation or suggestion presented against me has been spread assiduously through the newspapers.

One drafted—and contradicted—witness from 25,000 national-bank officers.—But despite the sinister and reckless efforts of the malicious, unscrupulous few I direct your attention to the deeply significant fact that not one of the 25,000 executive officers or 85,000 employees, including officers, of nearly 8,000 national banks of the country under my supervision has appeared voluntarily before your committee to oppose my confirmation, and even in response to summons by your committee only one national bank executive has appeared before you thus far to oppose, although these hearings have been now going on at intervals for more than six months. The testimony of that one national-bank official who did appear has been proven to have been disingenuous and without foundation from start to finish.

The hope of my assailant seems to have been the Riggs Bank case. Mr. Hogan, former attorney of the Riggs Bank, whose false and shameless testimony I have now fully reviewed, came, as he admits, by special request, solicited by ex-Senator Weeks, whose "fake" resolution of a "clearing house" which never existed, presented by Mr. Weeks before this honorable committee, I have already exposed.

I understand that Mr. Hogan came also pursuant to plans of a certain official of the Riggs Bank who was indicted for perjury for signing the affidavit prepared for him by Mr. Hogan. That same official of the Riggs Bank, I also understand, furnished ex-Senator Weeks the 4-year-old 60,000 word diatribe against the comptroller's office, which the ex-Senator inserted in the record in February, but which was prepared by the newspaper man Hill, whom the Riggs Bank had employed as their publicity agent in the Riggs equity suit, and of whose disreputable work your committee has already been advised.

The few witnesses who have been "drummed up" and thrust forward by hidden hands and who have consumed the valuable time of your committee have, it seems, tried to offset their numerical inferiority by the abundance of venom, malice, and slander which they have poured without stint.

Submission of details of facts made necessary by method of attack.—Mr. Chairman, the vindication of my name and motives is immeasurably more important to me than confirmation and further service as Comptroller of the Currency. I have that vindication—even at the cost of much labor to myself and inconvenience to others—not only to my own self-respect, but to the President and to the two Secretaries of the Treasury who have honored me with their confidence. Truth may not overtake a lie, but may outlive it. This record is the only means by which I can put what seems to me to be absolutely established and indisputable truth in such enduring and definite form that it will live to speak for itself and for me hereafter. Therefore I desire to have in the record the full, whole truth on every point and detail, large and small, set forth as clearly as I can present it.

My endeavor has been to search out, meet, and contradict every charge that has been uttered or written against me and to prove that it was not only falsehood, but falsehood incited by hate and by lust for vengeance, and that the whole proceeding has been a malign and impudent attempt to use your committee to gratify the animosity of detected and baffled lawbreakers. I believe that in this endeavor I have succeeded.

I respectfully ask that this letter be printed in the record with the correspondence and other inclosures referred to above, which I hand you herewith.

Faithfully, yours,

JOHN SKELTON WILLIAMS.

I take advantage of this opportunity to include and call special attention to the following extracts from letters which I wrote the Banking and Currency Committee of the United States Senate July 29 and August 1, 1919, which also relate to the Riggs Bank case and the misstatements before that committee by the bank's former attorney, Mr. Hogan; and which illustrate the rank favoritism which that bank enjoyed during the many years it persistently defied the banking laws and the comptroller's regulations.

FROM COMPTROLLER'S LETTER TO SENATE COMMITTEE OF JULY 29, 1919.

* * * * *

"At the hearings before your committee on July 24, 1919, I stated to your committee that despite Mr. Hogan's positive denial that the Riggs National Bank had in past years enjoyed special favors from the Treasury Department, the indisputable records of the office prove that his denial was wholly untrue and that in many ways the Riggs National Bank had been favored, and to a very remarkable degree.

"I also stated that there had not only been discrimination in favor of the Riggs National Bank in the matter of Government deposits, but that the bank had enjoyed special favors in the matter of obtaining information and data from the various bureaus of the Treasury, and I referred to an incident in connection with my examinations of the bank where it had been discovered that a copy of a certain confidential document intended only for national bank examiners had passed into the possession of the Riggs Bank. I stated that if you desired I would be pleased to furnish you further information in regard to that incident. You requested that I do so. I now have the pleasure of handing you a copy of a letter which, as Comptroller of the Currency, I addressed on October 9, 1915, to Vice President Ailes of the Riggs National Bank, which was as follows:

"TREASURY DEPARTMENT,
"Washington, D. C., October 9, 1915.

"MR. M. E. AILES,

"Vice President Riggs National Bank, Washington, D. C.

"SIR: The records show that some time ago, as vice president of the Riggs National Bank, you wrote a letter to an officer of the National City Bank, of which you were also an employee, in which you said:

"'I am sending you herewith a copy of the comptroller's pamphlet, Defalcations and Methods of Concealment.'

"That pamphlet was a confidential communication issued by the office of the Comptroller of the Currency for the instruction of national bank examiners only. There was printed across the face of the pamphlet a statement which recited that—

"'This is a confidential publication which has been compiled for the use of bank examiners, and is to be returned to the Comptroller of the Currency by the recipient when the service of the examiner is terminated.'

"There can, therefore, be no question but that you knew that this was a confidential document, published with the intention that it should not go out of the possession of the comptroller's office or its examiners.

"You are requested to inform this office immediately how, when, and through whom you obtained this document, the property of this office.

"In the letter in which you conveyed this pamphlet to an officer of the National City Bank of New York you said:

"'The instructions to examiners are of a very confidential character, and I was unable to obtain them to-day. I think perhaps it may be possible to do so another time, however, and I will make an effort early next week to get hold of a set for you.'

"You are requested to inform this office at once whether the set of 'instructions to examiners,' which you admit that you clearly knew were 'of a very confidential character,' was obtained eventually by, for, or through you and transmitted to the National City Bank or to any of its officers.

"If you succeed in getting possession of the documents referred to, you are requested to inform this office promptly how, when, and through whom these confidential papers of the comptroller's office were secured by or for you and to return them at once to the office of the Comptroller of the Currency.

"Respectfully,

"JOHN SKELTON WILLIAMS,
"Comptroller of the Currency.

"I do not find Mr. Ailes's reply to the foregoing letter in the files. My recollection is that the explanation he offered was that the confidential document referred to had been given to him by one of my predecessors in office.

* * * * *

"In my statement before your committee on the 25th instant in connection with the activities of the newspaper man, George G. Hill (p. 578, printed hearings), I referred incidentally to the secret propaganda being conducted against

me, apparently originating in Washington, but with various ramifications. In support of my assertion I now respectfully submit three articles from obscure newspapers in three States, all identically alike and evidently prepared and sent out by the same journalistic genius. Their contents, as you will observe, are of such coarsely vulgar character that I would not ask any man to read them except as evidence.

"Obviously somebody is spending money in hiring cheap and obscure hangers-on of journalism to assail me. This seems to be a revival of the ancient practice of employing professional assassins to wreak private vengeance, only lacking the personal perils and elements of tragedy which gave that system at least a suggestion of dignity. I will not ask you to cumber the records with these editorials, but present them for the inspection of your committee.

"I respectfully ask that this letter be printed in the record of these hearings."

FROM COMPTROLLER'S LETTER TO SENATE COMMITTEE OF AUGUST 1, 1919.

"In my letter to you of the 29th ultimo I submitted, in reply to an inquiry from you, figures to show that from June, 1904, to June, 1914, the percentage of increase in the resources of the Riggs National Bank had amounted to only about one-fourth of the percentage of increase which had taken place in the same period in all the other national banks throughout the country.

"In the same letter I pointed out that the Riggs National Bank had been required, in 1914, by the comptroller's office, to desist from their irregular and unlawful operations, and that after the officers of the bank had been required to confine their time and attention more closely to the legitimate business of a national bank the resources of the Riggs National Bank had in the five-year period from June, 1914, to May, 1919, increased 83.29 per cent, against an increase in the resources of all the national banks in the country of 81.37 per cent.

"I understand that the question has also been raised as to whether or not the increase in resources of 18.64 per cent shown by the Riggs National Bank between June, 1904, and June, 1914, was out of line with the increase shown by all the other banks in the District of Columbia for that same period.

"In reply to that suggestion I have the honor to advise you that the records give the following figures:

"Against an increase in total resources from June, 1904, to June, 1914, of the Riggs National Bank of 18.64 per cent, we find that the total resources of all other banks in the District of Columbia for the same period increased 114.7 per cent.

"Which means that the percentage of increase in resources from 1904 to 1914 of all the other banks in the District of Columbia was more than six times as great as the percentage of increase shown by the Riggs Bank during that period.

BANK FATTENED FROM GOVERNMENT SPOON.

"It is true that the Riggs National Bank made large earnings in those years, but those big earnings are traceable very largely or mainly to the favoritism which the bank enjoyed from the Treasury Department in many ways. The records show clearly that a large part of the dividends paid by the Riggs Bank on its capital stock from 1904 to 1914 was directly due to the large profits which the bank derived from 'grossly abnormal' proportions of Government funds placed with it without interest during those years through favoritism or the exercise of special influence.

UNITED STATES DEPOSITS IN RIGGS BANK HAD AVERAGED MORE THAN SEVEN TIMES AS MUCH AS UNITED STATES DEPOSITS IN ALL OTHER LOCAL BANKS COMBINED.

"In this connection I invite your attention to a paragraph in Secretary McAdoo's affidavit in the Riggs equity case, in which he said (p. 540 of February hearings before the committee):

"The total deposits of the plaintiff bank, exclusive of Government funds, on April 9, 1903, were approximately \$7,381,912.20. The proportion of Government funds to total deposits and to the then capital and surplus of the bank (\$900,000) was grossly abnormal and unprecedented. * * *

"During that time there were 11 national banks in the city of Washington, and the deposits of the plaintiff bank averaged not exceeding 39 per cent of the

total average deposits of said national banks. The total deposits of Government funds in all of the remaining national banks of Washington during said period averaged approximately \$278,874.

"The average balance of Government funds on deposit with the plaintiff bank from the time the said Alles became connected with the bank, in April, 1903, until March, 1907, was \$2,081,957.

"The whole record, Mr. Chairman, presents a complete and overwhelming refutation of Mr. Hogan's reckless but deliberate and brazen denial made in his testimony before your committee on the 9th ultimo (p. 99). At that time, in response to Senator Frelinghuysen's question:

"Is there anything in the record which shows undue favoritism by previous administrations to the Riggs Bank or any other bank?"

"Mr. Hogan unblushingly and with the same disregard for the truth which had characterized his preparation of the affidavit which resulted in the indictment for perjury of three of the Riggs' officers, answered:

"There is not."

"I respectfully ask that this complete letter be printed in the record of these hearings as supplementary to my letter to you of July 29, 1919."

MR. HOGAN CONDUCTS PROPAGANDA.

Since writing my letter of the 12th instant to Chairman McLean of the Banking and Currency Committee, which is printed above, my attention has been called to the propaganda which it appears is being conducted by Mr. F. J. Hogan, former attorney for the Riggs Bank, whose untrue and malicious statements before the Senate committee I have already exposed.

Under date of August 6, 1919, Mr. Hogan appears to have disseminated over his signature a letter calling attention to what he describes as "a most intelligent analysis" of the Riggs Bank controversy, but which is merely a biased newspaper report of his false testimony before the Senate committee and a "write up" of himself as printed in two editions of small financial weekly published in Boston, one of which articles he appears to have had reprinted, either at his own expense or at the expense of the interests who are cooperating with him in his propaganda.

These articles, mainly a rehash of his untrue testimony which has already been answered by me, need no further reply. They are not only obvious propaganda, but ignorant propaganda. The most interesting point is the optimistic promise that Congressman McFadden, of Pennsylvania, was to appear before the Senate committee to testify against the comptroller. As this promise was not verified, it seems to be evident that Mr. McFadden underwent some change of mind. Presumably he decided to fall back into the ranks of the "25,000 banks more or less" described by Mr. Hogan's admiring newspaper friend as abject slaves of the comptroller, "cringing from the fear of his blows, like a parcel of children terror stricken by some local bully"—so the editor of the publication, purporting to be for American financiers, described them.

FALSE PROPHET PREDICTS DECLINE IN NATIONAL BANKS.

In his same communication, under date of the 6th instant, Mr. Hogan distributed a copy of a letter which he says was addressed to the Comptroller of the Currency on July 10, 1916, by an official of a small State bank in North Dakota, in which that banker insinuates or charges that the Comptroller of the Currency is responsible for "the numerous conversions of national banks into State banks now taking place throughout the country, which must result in a further weakening of the Federal reserve system."

It also intimates that the Comptroller of the Currency is responsible for the failure of eligible State banks to join the Federal reserve system.

A THREE-YEAR-OLD COMPLAINT REVIVED AND KILLED.

Mr. Hogan is manifestly hard pressed for ammunition when the best that he can do in his effort to find some one making complaints against the comptroller's office is to go back more than three years and resurrect, from an un-stated and unknown though suspected source, an unfounded attack by an official of a State bank (\$50,000 capital) from North Dakota, never directly or indirectly under the comptroller's supervision. The facts and records, however, to which I ask your attention, demolish the complaints of that State banker.

WITH STATE BANKS JOINING RESOURCES OF FEDERAL RESERVE MEMBER BANKS DOUBLE.

At the time the North Dakota banker made his gloomy forecast concerning the determination of banks to refrain from joining the Federal Reserve System there were only 35 State bank members of the Federal Reserve System, with resources of \$531,000,000. Since then a large proportion of the principal State banks and trust companies of the country have joined the system, and the number of State bank and trust company members now is 1,094, with resources of \$8,110,000,000; and the total resources of all national and State bank members of the Federal Reserve System, which on June 30, 1916, amounted to \$14,450,000,000, is now \$28,900,000,000—an increase of 100 per cent in the three years since the State bank official made his pessimistic forecast.

The emptiness of the North Dakota banker's forebodings as to national banks leaving the system is also shown by the records. Between July 1, 1916, and August 15, 1919, 560 new national banks have been chartered, and 603 of the existing national banks have increased their capital. The actual net increase in the capital, surplus, and undivided profits of national banks in the United States from July 1, 1916, to July 1, 1919, was over \$260,000,000.

UNPRECEDENTED RECORD OF NATIONAL BANKS UNDER PRESENT ADMINISTRATION.

The returns of our national banks as of June 30, 1919, just compiled, show resources of \$20,799,000,000.

The increase in the resources of the national banks of the country in the past 6 years, under the present administration, has been greater than the increase in the preceding 47 years.

Since January 1, 1918, covering approximately 10 months of the strain and shock of war, and 10 months of the trials of the reconstruction period, there have been two national bank failures in the entire United States—an average of one failure each 10 months. In the 25-year period prior to the present administration the failure of national banks averaged about 18 per annum, or, say, 1 every 20 days.

Not only have there been fewer national bank failures than ever before in the history of the national banking system, but the records show that of the national banks which have failed during the administration of the present Comptroller of the Currency approximately 60 per cent have either been restored to solvency, have paid their depositors 100 cents on the dollar or are expecting to do so, whereas in the nearly 50 years prior to the incumbency of the present comptroller only about 35 per cent of the failed banks paid their depositors in full.

It is deeply gratifying to me to be able to point to the record which tells us that in immunity from failure the showing of the national banks since January 1, 1918, has been twenty times, or 2,000 per cent better than for the period of 25 years immediately preceding the present administration.

Furthermore, the net profits of the national banks for the year ending December 31, 1918, amounted to \$223,531,000—the greatest ever recorded—compared with 212 millions in the fiscal year ending June 30, 1918; 194 millions for 1917; 157 millions for 1916; and 127 millions for 1915.

This great increase in banking power and resources and in profits has been accomplished contemporaneously with a marked reduction in the rates of interest charged to the public in all parts of the country and with the elimination of many unlawful and irregular practices which formerly prevailed.

JOHN SKELTON WILLIAMS.

AUGUST 26, 1919.

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, August 30, 1919.

Hon. GEORGE P. McLEAN, United States Senator,
Chairman, Banking and Currency Committee,

Washington, D. C.

SIR: In my statement to your committee on July 26, 1919, I called attention to loans which I had understood from the report made by Examiner Owen T. Reeves of May 22, 1906, were outstanding at that time to various officers and employees of the Bank, including Vice President Ailes \$34,788; Assistant

Cashier W. J. Flather, \$74,000; Assistant Cashier H. H. Flather, \$47,537; Paying Teller Rittenhouse, \$600; Paying Teller Kindelberger, \$40; Receiving Teller Nevins, \$1,905; Ladies' Teller Bestor, \$56,500; Exchange Teller E. D. Flather, \$3,010; Note Teller Gleseking, \$23,000; and to General Bookkeeper Evans, \$11,039; and to 34 bookkeepers and others, \$101,095.

A closer examination of Examiner Reeves' report indicates that the item of "\$101,095 to 34 bookkeepers and others" should not have been embraced in that table, and their inclusion there was through error in transposing. I, therefore, make this correction. The total loans to officers and employees as of May 27, 1906, as shown by the books, should, therefore, be \$257,421 instead of \$358,516. The national bank examiners' reports on the Riggs National Bank had for a long period of years, shown repeatedly unusually large loans made to its officers, directors and employees. For instance, at the examination on April 25, 1905, a year prior to the examination above referred to, the examiner had reported the bank as lending to its Ladies' Teller, whose salary was \$1,800 per annum, \$45,100; to its Note Teller, salary \$2,000, the sum of \$14,400; to its Exchange Teller, with salary of \$1,700, loans of \$17,807; to its Receiving Teller, with a \$1,700 salary, the sum of \$8,506; and to its Paying Teller, whose salary was \$2,000, the bank was then lending \$18,200.

These loans to inside men—employees, officers, and directors—increased rather than diminished as the years went on. On May 15, 1913, the loans to the insiders (including over \$43,000 of "dummy" loans for the benefit of the vice president and the cashier, though not recognized as such by the examiner) aggregated over \$805,000, as evidenced by the report of Examiner Hann, whose examination was so extolled by Mr. Hogan, and whom Mr. Hogan boastingly declared had certified in his report that the books showed the bank's real condition. That statement was incorrect, for the bank had effectually concealed from the examiner, for instance, those "dummy" loans, which were at that very time in the bank, though the examiner, ignorant of their real status, had not shown them in loans to officers. Those particular "dummy" loans had been in the bank for several years.

Please allow me to take advantage of this opportunity to correct the misleading and unwarranted statement made before your committee by Mr. F. J. Hogan on July 10, in which he attempted to justify or palliate the irregular stock operations of the Riggs Bank by claiming that 11 other national banks in the District of Columbia all had "similar" accounts with the brokerage firm of Lewis Johnson & Co. That statement is untrue and was, I believe, made for the purpose of misleading your committee. The fact is that no other national bank in the District, as far as the records of this office go or the national-bank examiners have ever been able to discover, were ever conducting operations with the firm of Lewis Johnson & Co., or any other brokerage firm, "similar" to those carried on by the Riggs Bank with that firm. This record contains copies of newspaper advertisements by the Riggs Bank relative to the stock business it was conducting, and I do not believe you will find anyone, unless it be Mr. Hogan, so reckless as to charge the cashier of any other bank of systematically defrauding the bank's customers by "bucketing" the orders of customers; nor do I believe you will find that any other Washington national-bank cashier or other official outside of the Riggs Bank was speculating with Lewis Johnson & Co., and carrying their account on the broker's books under an alias or fictitious name, as the bank examiners inform me was done by the cashier of that bank.

In corroboration of these statements I ask your attention to the following letter, which I received from National Bank Examiner Trimble under date of July 31, 1919:

"HON. COMPTROLLER OF THE CURRENCY,
Washington, D. C.

"SIR: On July 10, on page 131 of the hearings before the Committee on Banking and Currency, Mr. Frank J. Hogan made the following statement:

"'I digress to tell you Senators that it developed in the sworn testimony brought out in the criminal case that 11 national banks in the District of Columbia all had similar accounts with Lewis Johnson & Co. That does not mean that I say that the 11 national banks of the District of Columbia were either buying stocks or selling stocks or speculating in stocks. I mean to say nothing of the kind; but I mean to say that anybody with any intelligence could have found out that 11 banks had stock and bond accounts with this brokerage house, which, prior to its failure, was the oldest established brokerage house in the District of Columbia.'

"That statement was wholly misleading.

"In order to advise you of the facts in regard to this matter, I wish to say that I have made it a practice in all of my examinations to inquire particularly as to the method used by all national banks in the purchase and sale of bonds or other securities, whenever there were any such transactions.

"When it was discovered that the Riggs National Bank had been buying and selling stocks almost daily, and on occasions many times daily, often in large amounts, ever since the bank was chartered as a national bank, I, of course, made closer inquiry into the methods used by other national banks in this city in all of my subsequent examinations. The violations of the law on the part of the Riggs National Bank impressed me in such a way as to put me on guard and cause me to make particular investigation as to whether or not other national banks in this city were conducting business in the same way.

"I have time and again examined every other national bank here, but I have not found in any of my examinations of the other national banks in Washington, D. C., any case where any national bank in this city participated in any way in the commission or profits or losses on any stock bought or sold for customers, nor any case where a national bank was dealing in stocks on its own account.

"Some of the other national banks in this city would occasionally transmit orders for their customers for the purchase or sale of stocks or bonds; and in the case of purchases the funds for the purchase would generally be provided by the customer in advance of the purchase. In the case of sale, the stock would be delivered to the bank by the customer with instructions to have the same sold and credit the entire proceeds to his account; but no other national bank in the District, as far as I have been able to discover, ever carried on the stock business in the irregular and unlawful manner so long followed by the Riggs National Bank, nor did they openly or secretly conduct such a business.

"Respectfully,

"JAMES TRIMBLE,
"National Bank Examiner."

On page 131 of the hearings Mr. Hogan, in referring to the stock business which was being carried on by the Riggs Bank, said:

"Over and over and over again in this correspondence, in the nine months preceding April 12, 1915, the comptroller had been given every scintilla of evidence regarding just exactly what those accounts were."

That statement is also disingenuous and misleading, for the "scintilla(s) of evidence" furnished by the bank's officers in regard to those accounts were contradictory in the extreme, oftentimes vague and frequently directly contradicted by facts. The record also shows that the officers of the bank flatly refused to answer questions from the comptroller as to the ownership of funds carried in the Glover and Flather and Flather and Flather accounts, representing brokerages and commissions collected by the bank. On this very point the Supreme Court of the District, in its decision, expressly declared:

"The court will not assume that under those circumstances it was unreasonable to call for an expression of the knowledge and belief of the officers of the bank as to whom, between the bank and the persons named as depositors, the funds really belonged." (See my letter to you of August 12, p. 16.)

I will be obliged if you will have this letter printed in the record of these hearings.

Respectfully,

JNO. SKELTON WILLIAMS,
Comptroller.

A.

JANUARY 9, 1913—11.20 a.

LEWIS JOHNSON & Co.,
Bankers.

Sell for my account and risk in New York 100 Can Com. 31.

Filed May 21, 1915. J. R. Young, Clerk.

Riggs.

B.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., 1/9, 1913.

RIGGS NATIONAL BANK,

DEAR SIR: We have this day, for your account and risk, sold 100 Can C. 31.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, Clerk.

C.

No. 4167.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., January 9, 1913.

Pay to the order of Riggs National Bank three thousand eighty-five 50/100 (\$3,085.50) dollars.

LEWIS JOHNSON & Co.

To the RIGGS NATIONAL BANK, Washington, D. C.

D.

No. 4132.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., January 22, 1913.

Pay to the order of Riggs National Bank Twenty-eight hundred eighty-five fifty one-hundredths (\$2,885.50) dollars.

LEWIS JOHNSON & Co.

To the RIGGS NATIONAL BANK, Washington, D. C.

E.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., January 22, 1913.

RIGGS NATIONAL BANK,

DEAR SIR: We have this day, for your account and risk, Sold: 100 Can com. at 29; 5 Gt. Northern rights at 21.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

F.

JANUARY 22, 1913. 10.16 a. m.

LEWIS JOHNSON & Co., Bankers:

Sell for my account and risk in New York 100 Can. 29.

RIGGS.

Filed May 21, 1915. J. R. Young, clerk.

G.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 4, 1913.

No. 4155.

Pay to the order of Riggs National Bank eighteen hundred and seventy-three (\$1,873) dollars.

To the Riggs National Bank, Washington, D. C.

LEWIS JOHNSON & Co.

H.

LEWIS JOHNSON & Co., BANKERS,
1505 PENNSYLVANIA AVENUE, NW.,
Washington, D. C., February 4, 1913.

THE RIGGS NATIONAL BANK:

DEAR SIR: We have this day, for your account and risk—

Bought 100 7 B at 18½; 5 United S. and M. Pfd. at 49; 100 San Poe at 103½.
Sold 100 I. B. at 18½.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

FEBRUARY 4, 1913, 2.54 p. m.

I.

LEWIS JOHNSON & Co., Bankers:

Sell for my account and risk in New York 100 Int. Com. 18½.

RIGGS.

Filed May 21, 1915. J. R. Young, Clerk.

J.

LEWIS JOHNSON & Co., BANKERS,
1505 PENNSYLVANIA AVENUE NW.,
Washington, D. C., January 11, 1913.

Riggs National Bank.

DEAR SIR: We have this day, for your account and risk—

Bought 21 General Electric, at 184½, 508.
Sold 30 A. T. T. C., 139½.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, Clerk.

K.

JANUARY 11, 1913.

LEWIS JOHNSON & Co., Bankers:

Buy for my account and risk in New York 21 General Electric. 184½.

RIGGS.

Filed May 21, 1915. J. R. Young, Clerk.

L1.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., November 29, 1911.

No. 3766.

Pay to the order of Riggs National Bank eighty-five and fifty-hundredths
(\$85.50) dollars.

LEWIS JOHNSON & Co.

Lewis Johnson, Bankers, November 25, 1911. Paid. Washington, D. C.

L2.

Riggs National Bank. Prior indorsements. November 25, 1911. Guaranteing. Washington, D. C.

M1.

No. 3688.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., October 27, 1919.

Pay to the order of H. H. Flather, one hundred thirty-five 50/100 (\$135.50)
dollars.

LEWIS JOHNSON & Co.

Lewis Johnson & Co., bankers. October 29, 1911. Paid. Washington, D. C.

M2.

H. H. Flather. The Riggs National Bank. Prior indorsements. October 28, 1911. Guaranteed. Washington, D. C.

N1.

No. 3893. LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., January 27, 1912.
Pay to the order of H. H. Flather seven hundred forty-two (\$742) dollars.
LEWIS JOHNSON & Co.
Lewis Johnson & Co., Bankers. January 29, 1912. Paid. Washington, D. C.

N. 2.

H. H. Flather. The Riggs National Bank, prior indorsements January 29, 1912, guaranteed, of Washington, D. C.

O.

LEWIS JOHNSON & Co., BANKERS,
February 7, 1912.
Sell for my account and risk in New York 100 U. P. 164.
Riggs.
Filed May 21, 1915. J. R. Young, Clerk.

P.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 7, 1912.
The RIGGS NATIONAL BANK.
DEAR SIR: We have this day, for your account and risk, sold 100 Union Pacific 164.
LEWIS JOHNSON & Co.
Filed May 21, 1915. J. R. Young, Clerk.

Q.

LEWIS JOHNSON & Co., Bankers:
FEBRUARY 10, 1912.
Buy for my account and risk in New York 100 U. P. 163.
Riggs.
Filed May 21, 1915. J. R. Young, Clerk.

R.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 10, 1912.
The RIGGS NATIONAL BANK,
City.
DEAR SIR: We have this day, for your account and risk, bought 100 Un. Pacific 162½. 2,000 Kansas City Southern 5s Corepen 100½.
LEWIS JOHNSON & Co.
Filed May 21, 1915. J. R. Young, clerk.

S 1.

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 10, 1912.

No. 8914.

Pay to the order of H. H. Flather ninety-eight (\$98) dollars.

LEWIS JOHNSON & Co.

Lewis Johnson & Co., bankers. Feb. 12, 1912. Paid. Washington, D. C.

S 2.

H. H. Flather. (The Riggs National Bank. Prior endorsement Feb. 12, 1912,
guaranteed. Of Washington, D. C.)

T.

FEBRUARY 14, 1912.

LEWIS JOHNSON & Co., Bankers:

Sell for my account and risk in New York 100 U. P. 165.

Riggs.

Filed May 21, 1915. J. R. Young, clerk.

U

LEWIS JOHNSON & Co., BANKERS,
Washington, D. C., February 14, 1912.

THE RIGGS NATIONAL BANK

(Give notice to Mr. Cooke.)

DEAR SIR: We have this day, for your account and risk, bought 100 Union
Pacific, 164½. Sold 100 Union Pacific, 165½; 3 Calumet, 420.

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, Clerk.

V

FEBRUARY 14, 1912, 11.45 a. m.

LEWIS JOHNSON & Co., Bankers,

Buy for my account and risk in New York 100 U. P., 164½.

Riggs.

Filed May 21, 1915. J. R. Young, Clerk.

W¹

LEWIS JOHNSON & Co., Bankers,
Washington, D. C., February 14, 1912.

Pay to the order of H. H. Flather two hundred ten fifty-hundredths (\$210.50)
dollars.

LEWIS JOHNSON & Co.

February 12, 1915. Paid. Lewis Johnson & Co., Bankers, Washington, D. C.

W²

H. H. Flather. (February 15, 1912. Prior indorsements guaranteed. Riggs
National Bank of Washington, D. C.)

X.

FEBRUARY 15, 1912.

LEWIS JOHNSON & Co.,

Bankers:

Sell for my account and risk in New York 100 U. P. 165½.

Riggs.

Filed May 21, 1915. J. R. Young, clerk.

I.

LEWIS JOHNSON & Co., BANKERS.

Washington, D. C., February 15, 1912.

DEAR SIR: We have this day, for your account and risk, sold 7 Calumet \$20: 100 U. P. 162½.

The RIGGS NATIONAL BANK.
(Give to Mr. Cooke).

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

Z 1.

FEBRUARY 16, 1912.

LEWIS JOHNSON & Co.:

Buy for my account and risk in New York 100 U. P. 164½.

Riggs.

Filed May 21, 1915. J. R. Young, clerk.

Z 2.

LEWIS JOHNSON & Co.,

Washington, D. C., February 16, 1912.

DEAR SIR: We have this day, for your account and risk, bought 100 Union Pacific 164½; 100 Union Pacific 164.
Sold 7 Calumet 42½.

The RIGGS NATIONAL BANK.
(Give notice to Mr. Cooke).

LEWIS JOHNSON & Co.

Filed May 21, 1915. J. R. Young, clerk.

Z 3.

No. 3920.

LEWIS JOHNSON & Co., BANKERS.

Washington, D. C., February 16, 1912.

Pay to the order of H. H. Flather twenty-three (\$23) dollars.

LEWIS JOHNSON & Co.

Lewis Johnson & Co., bankers. February 17, 1912. Paid. Washington, D. C.

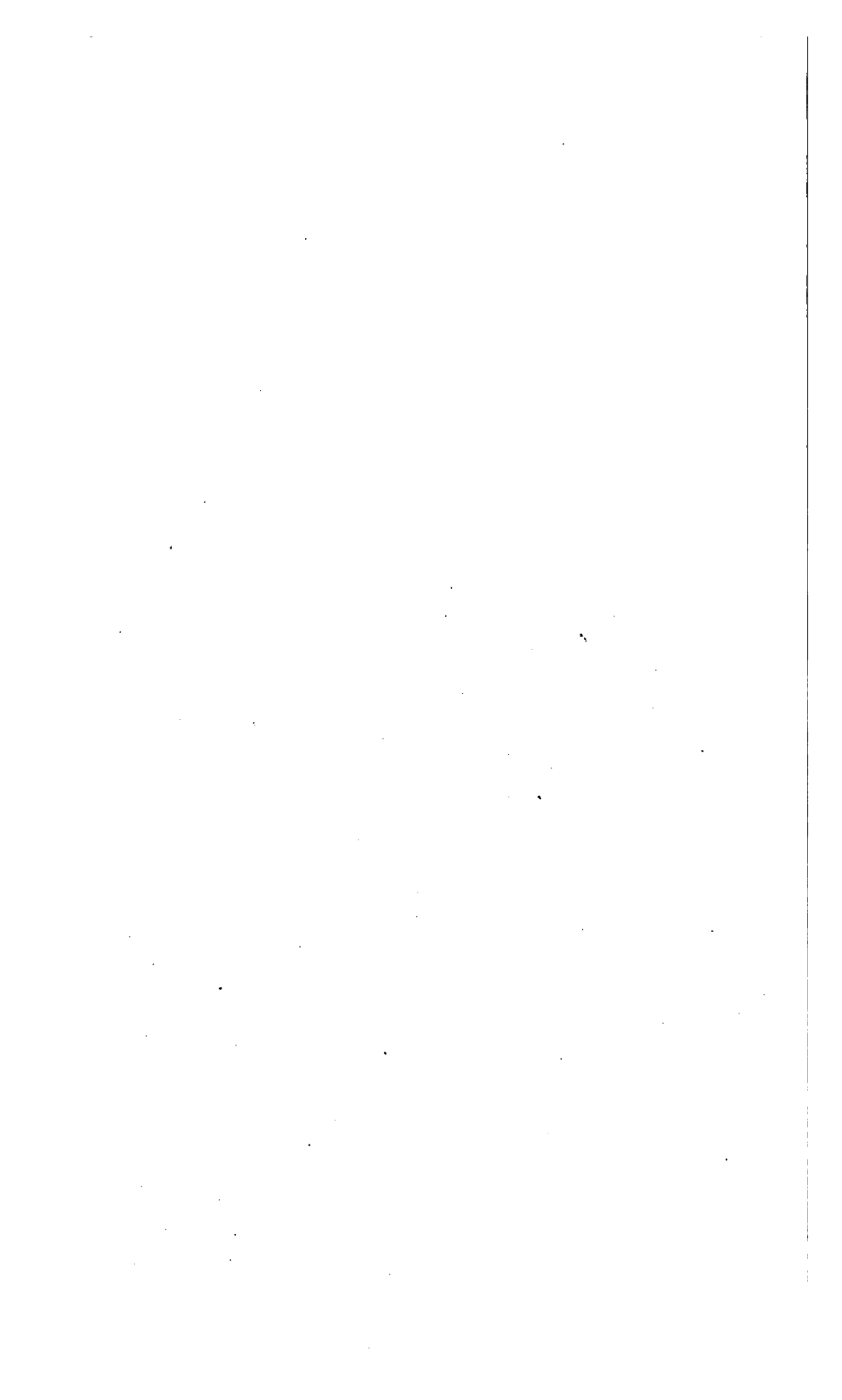
Z 4.

H. H. Flather.

(The Riggs National Bank. Prior indorsements. February 17, 1912. Guaranteed of Washington, D. C.)

(Whereupon, at 10.33 o'clock a. m., the committee stood adjourned.)

125023—19—PT 11—6



Y4. B22/3: W67/15/pt. 12
NOMINATION OF JOHN SKELTON WILLIAMS

HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

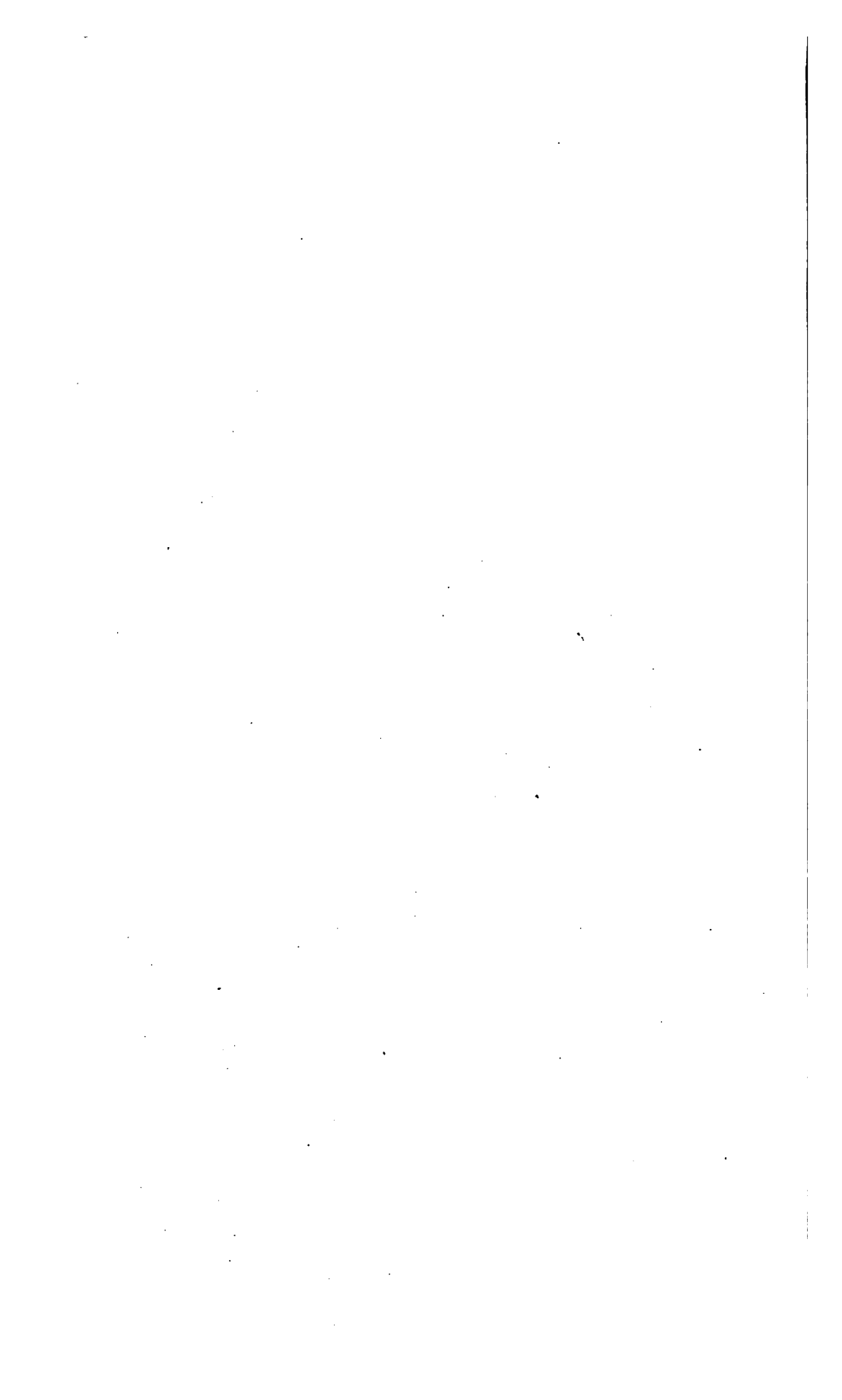
**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 12

Printed for the use of the Committee on Banking and Currency.



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1919**



Y4. B22/3: W67/15/pt. 12
NOMINATION OF JOHN SKELTON WILLIAMS

HEARING

BEFORE THE

**COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE**

SIXTY-SIXTH CONGRESS

FIRST SESSION

ON

**THE NOMINATION OF JOHN SKELTON WILLIAMS
TO BE COMPTROLLER OF THE CURRENCY**

PART 12

Printed for the use of the Committee on Banking and Currency.



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1919**

in the city of Washington was on 80 per cent of those occasions short in its reserve, short after the Congress of the United States had reduced the amount of reserves from 25 to 15 per cent, and that while Mr. Williams was hounding the Riggs National Bank on the now pretended ground that it had been short in its reserves, he was the instrumentality through which the other bank short in its reserves was having constantly increasing governmental deposits.

What the documents and reports, if submitted—not Mr. Williams's statement of them, but the documents—if submitted to the committee, will show is this:—Suppose we call that bank No. 1?

The CHAIRMAN. Why can't we go into that in open session?

Mr. HOGAN. Why you could. You could take these reports here.

The CHAIRMAN. What harm can result to the bank or to any of its depositors or stockholders?

Mr. HOGAN. I don't think any, Mr. Chairman, but I did not want the suggestion to come from me that anything should be made public about other banks, because I knew if I had made that suggestion, immediately it would be said that I had an ulterior motive because of my connection with other banks. That's all. But, Mr. Chairman, not only yourself, but members of the committee, regardless of their political affiliations, showed a very lively interest in the question whether or not Mr. Williams and those under his direction had really been active participants in the perpetrating of the prosecution of Charles C. Glover and the Messrs. Flather in the so-called perjury case, and having made a denial that he participated in the bringing about of criminal prosecutions, Mr. Williams was asked whether or not it wasn't a fact that the witness, upon whose testimony the grand jury predicated its indictment, included the bank examiners, and among them Mr. Trimble; and then Mr. Williams stated that it was a great and serious inconvenience that bank examiners should be called when the laws had been violated before grand juries of Federal courts; very often they could not do their other work; and Mr. Trimble handed to him a subpoena which called Mr. Trimble to appear before the district attorney on September 22, 1915, and you were thereby given the impression that the only reason why Mr. Williams's chief bank examiner in the District of Columbia, Mr. Trimble, was at all participating in the criminal prosecution, was because he was subpoenaed, whereas in truth and in fact, from May 22, 1915, until December, 1915, Mr. Trimble lived almost daily in the Riggs Bank, reported from the Riggs Bank to Comptroller Williams while he was getting data for this alleged perjury case, and then to the district attorney's office, and instead of having gone to the district attorney in September only on subpoena, Mr. Trimble and Mr. Williams knew that on numerous occasions Mr. Trimble was at the District Attorney's office, and it was through Mr. Williams and Mr. Trimble that the District Attorney was constantly being advised of the result of Mr. Trimble's digging into the archives of the Riggs Bank in order to get something to hang an indictment on.

Now, having produced that impression, which I will not characterize, I ask, not for myself, but for the committee, that there be brought here the bank examiner's record showing what Mr. Trimble was working on from May 22 until December.

The CHAIRMAN. Now, Mr. Hogan, we are not getting anywhere, and we must try to get somewhere. Let's take the first question, a statement giving the dates in the year 1916 on which each national bank in the city of Washington was subjected to examination by the national bank examiners, as indicated by him. Is there any reason why that statement should not be presented to the committee in open session? I am reading Mr. Hogan's first request.

Mr. WILLIAMS. I will be very glad to lay that before the committee now. That's 1916, Mr. Chairman?

The CHAIRMAN. 1916. Now we want to get through these questions, and get on the track. At the bottom of the page, Mr. Hogan said that you suppressed the record of the year 1916.

Mr. WILLIAMS. That was untrue, sir.

The CHAIRMAN. Well, then that's already in the record, is it?

Mr. WILLIAMS. I now present it.

The CHAIRMAN. Well, is it already in the record?

Mr. WILLIAMS. 1914 and 1915 were the reports that were specially asked for. I will read page 114 of the hearings.

The CHAIRMAN. We are not going to read anything.

Mr. WILLIAMS. I want to show that's what he asked for, Mr. Chairman.

The CHAIRMAN. We are going through this list of questions.

Mr. WILLIAMS. Here is the statement asked for.

The CHAIRMAN. Very well. With that record, the reports of the national bank examiners, as to each and every national bank in the District of Columbia made to him in the year 1916.

Mr. WILLIAMS. That would be manifestly unfair to the banks to lay before the committee in open session the reports of the examiners as to the twelve or fourteen other national banks of the city, Mr. Hogan being a director in one, as I am informed, and attorney for another.

The CHAIRMAN. Well then, that's—

Mr. WILLIAMS (interrupting). I should be very glad to lay them before the committee, however, in executive session.

The CHAIRMAN. Yes [reading]:

Second, from the records of the comptroller's office—

Mr. WILLIAMS (interrupting). What page is that, Mr. Chairman?

The CHAIRMAN. The pages do not seem to be numbered. The pages are not numbered.

Mr. WILLIAMS. I have it.

The CHAIRMAN (reading):

From the records of the comptroller's office, which records contain the data, I ask that he be called upon to produce a list showing loans to officers, directors and employees of every national bank in the city of Washington, first, at the time of the first report made in response subsequent to July 1, 1914, and second, at the time of the last examination of a national bank examiner preceding July 1, 1914.

What have you to say on that?

Mr. WILLIAMS. I shall be very glad to lay that before the committee in executive session.

The CHAIRMAN. Now, couldn't that be done by designating the loan, not to the persons, but to A, B, or C, and let it go into the public record made here? It is going to be a very difficult matter to dissociate one record from another.

Mr. WILLIAMS. Mr. Chairman, with your permission I will endeavor to make an analysis of that and present a formal statement which may go into the public record after you have had an opportunity of reading the full statement.

The CHAIRMAN. You understand, Mr. Williams, this whole question may come up in the open Senate?

Mr. WILLIAMS. As I say, it would be manifestly unfair to the banks to have the whole matter before the whole Senate and country.

The CHAIRMAN. Then I suggest this, in your interest, that everything that can go into open record should do so.

Mr. WILLIAMS. It would do me no harm, Mr. Chairman, but it would be embarrassing to some of the banks.

The CHAIRMAN. Then you can prepare that so it will go in.

Mr. WILLIAMS. I will prepare a suggestion along those lines and see if it meets with your approval.

The CHAIRMAN. "Third"—Mr. Hogan's questions are so eloquent and long that I don't know as I shall include it all.

Mr. HOGAN. Just read the latter part; that's all.

The CHAIRMAN. But you can suggest anything that I omit after I finish, Mr. Hogan. "Third, I ask that he be required to produce before this committee the diary"—that is, your personal diary—"in the years 1915 and 1916, particularly with reference to the entries therein on the subject of the Riggs Bank and its officers, also on the subject of the Attorney General," etc.

Mr. WILLIAMS. Mr. Chairman, I have already answered that in my letter to you and expressed a willingness to lay it before the committee; but may I ask through what underground and sinister channels the witness obtained this information—in no sense an official document?

The CHAIRMAN. What do you expect to prove by that, Mr. Hogan?

Mr. HOGAN. That Mr. Williams testified untruthfully before a Senate committee of the United States when he said he took no part in endeavoring to bring about an indictment of the Riggs Bank officers, and that Mr. Williams testified untruthfully, as the diary entries will show, when he said that his actions were not actuated by personal motives against the officers of the bank. His own diary statement regarding himself and his activities will be a sufficient disclosure to show just what he did in that regard and what the motives were.

The CHAIRMAN. Frankly, I am rather disinclined to go into that.

Mr. HOGAN. For instance, he said he took no part in the perjury case. Now, his diary will show the contrary.

Mr. WILLIAMS. That statement is untrue, Mr. Chairman.

The CHAIRMAN. I do not know—if you have no objections to presenting that diary to the committee in executive session, why we will decide then as to how far the committee desires to go into it. But I would like to hear expressions from other members of the committee on that point. Personally, I am disinclined to call for Mr. Williams's personal diary unless Mr. Hogan knows just what he expects to prove by it. I have avoided fishing in this hearing, and I do not propose to go fishing.

Mr. HOGAN. I have no interest in it, Mr. Chairman; I simply suggest that was a means of getting——

The CHAIRMAN (interrupting). Then anything that Mr. Williams wishes to volunteer in executive session the committee will be glad to investigate, but further than that I do not feel like going.

Mr. WILLIAMS. It is open to the committee, in executive session.

The CHAIRMAN. Well, let's go on. Mr. Hogan goes on to state: "That diary, as I am informed, was in part in the shape of a loose leaf—" Yes?

Mr. HOGAN. Loose leaf typewritten.

The CHAIRMAN. Yes, I see.

Mr. WILLIAMS. Mr. Chairman—

The CHAIRMAN. Mr. Williams, you are more familiar with these questions than I am. If you can find the fourth—

Mr. WILLIAMS. Well, I think you read the third. The next one that I note here seems to be that there be produced from the files of the comptroller's office a copy of every letter sent to every national bank of Washington, Riggs of course excepted, as it has already been produced, criticising, commenting upon, or making reference to letters to officers, directors, or employees, or either of these classes, written in the year 1914 or 1915. Those letters are here, and I am prepared to give them to the committee in executive session.

The CHAIRMAN. Yes. Well, proceed to the next question.

Mr. WILLIAMS. Next [reading]:

I ask that there be produced statements from the official records of the comptroller's office showing on what work James Trimble, national-bank examiner, was engaged from May 22 to December 31, 1915, both dates inclusive, giving the duration in each instance of the work on which the examiner was engaged, together with data showing what assistants the national-bank examiners for the District of Columbia had during that period, and on what work those assistants were engaged during that period, and the duration in each case.

Very glad to give the committee whatever it wants there [continues reading:]

Sixth, that there be produced statements from the official records from the comptroller's office, or from the records kept by National Bank Examiner James Trimble, showing how frequently he reported to the United States attorney for the District of Columbia, or visited the office of the United States attorney for the District of Columbia, during the year 1915, prior to September 22 of that year, after which last-named date there was spectacularly produced before this committee a subpoena calling upon Mr. Trimble to visit the United States district attorney's office.

I shall be very glad to furnish such information as Mr. Trimble may have on that subject. [Continues reading:]

Next, I ask that there be produced from the official records lists showing the number of national-bank examiners and the number of assistants to national-bank examiners on duty in Washington during the years 1912-1918, inclusive, together with the names and titles.

Very pleased to furnish it, sir. [Continues reading:]

Eighth, that there be produced a statement from the official records of the office of the comptroller, showing the total amount of loans to officers, directors, and employees of each national bank in Washington, Riggs excepted, as Riggs is already in the record, at the time examinations were made by the national-bank examiners during the period from July 1, 1913, to December 31, 1916; and it is respectfully suggested that this statement be verified, by the production of the original reports of the national-bank examiners in the case of each bank examined during the period mentioned.

Very glad to give it to this committee in executive session.

The CHAIRMAN. Well, couldn't that be—

Mr. WILLIAMS (interrupting). The statements are very voluminous, Mr. Chairman.

The CHAIRMAN. Couldn't that be satisfactorily given without even disclosing to the committee in executive session the names of these officers?

Mr. WILLIAMS. Well, the reports contain not only the loans to officers, but a great deal of the inside confidential business of the banks, and state more or less criticism here and there in connection with which letters are addressed to the bank as a rule.

The CHAIRMAN. If the committee got the number of officers in the bank, without designating the names—

Mr. HOGAN. It would seem to me that would give the committee information from which the inference, I say, could be drawn. Again, Mr. Chairman, I have no interest in it; I think the committee should have the information; I do not think any confidential information should be published, of course.

Mr. WILLIAMS. May I say this: I will give you all the information that you ask for of every sort, and if the witness desires to do so, I presume he is competent to address you a communication suggesting that you give special attention to certain particular points which he may want to emphasize, if he desires to do so. That will enable the committee to get anything they want from the records, I imagine.

The CHAIRMAN. Could they not be designated by number, so they could be made public?

Mr. WILLIAMS. The reports are very voluminous.

The CHAIRMAN. This committee, for that reason, does not want to go into that.

Mr. WILLIAMS. Those reports can not be made public without doing a serious injustice to the banks.

The CHAIRMAN. You take from the reports all letters to the officers of the bank, that's the point, designating them by numbers, and compile that for the use of the committee.

Mr. WILLIAMS. In order that we may get somewhere and try to clear the way a little, may I ask whether some such statement as this would be in order? There is a list, a statement which I intend to lay before the committee in executive session, but because the form in which I have suggested that it might be best understood, the names of the officers, the president, the vice president, cashier, assistant cashier, tellers, bookkeepers, etc., and a column showing the loans to those officers in the respective banks. This particular statement which I have here is for the examinations of 1914. It shows total loans, 1913—that was the first one, I think, that was asked for.

The CHAIRMAN. 1914 and 1915.

Mr. WILLIAMS. 1913, 1914, and 1915. I think they were called for for five years, if I remember correctly.

The CHAIRMAN. If it's the ninth question—

Mr. WILLIAMS. From 1913 to 1916, was it not, from July 1, 1913, to December 31, 1916?

The CHAIRMAN. Oh, yes, yes; you are right; you are right.

Mr. WILLIAMS. I will begin at 1913.

The CHAIRMAN. We do not want to take them now.

Mr. WILLIAMS. May I just give you simply the head lines, totals for all national banks other than the Riggs?

The CHAIRMAN. No, Mr. Williams; we are not going to encumber the record with that now. We want to avoid repetition as much as we can, and that must come in later.

Mr. WILLIAMS. All right.

The CHAIRMAN. You can give us that information, but I suggest that you designate the banks by numbers, officers by letters of the alphabet.

Mr. WILLIAMS. Of course.

The CHAIRMAN. Even in executive session.

Mr. WILLIAMS. May I say this, Mr. Chairman—there is a little embarrassment, because, for example, we may say there is a bank, one bank only in the city of Washington, with a chairman of the board—the only one. You will find that the chairman of the board is borrowing \$100,000. It is information to the effect that it is the chairman of this bank—we will call it the First National Bank—making that loan. If there is one bank with a vice president and no other bank with a fourth vice president that is borrowing, say, \$100,000, it is easy to point out the bank whose fourth vice president is borrowing the \$100,000. I simply call your attention to that difficulty in the situation.

The CHAIRMAN. Well, we will pass on to the next question.

Mr. WILLIAMS. Have we passed the eighth?

The CHAIRMAN. (Reads eighth question sotto voce.)

Mr. WILLIAMS. "Ninth." Shall I go to that?

The CHAIRMAN. Yes.

Mr. WILLIAMS (reading):

I request the comptroller be required to produce here from the official records of the comptroller's office a copy of every letter sent by him during the years 1914 and 1915 to any of the banks and trust companies of the District of Columbia, calling for reports from their directors on the subject of the number of shares of stock held by them unhypothecated during their directorship. This request may, of course, exclude Riggs National Bank, as such requests sent to the Riggs National Bank are already a part of the record.

If the committee desires that information in open session, I am willing to give it.

The CHAIRMAN. Well——

Mr. WILLIAMS. I am willing, I state, to give it.

The CHAIRMAN. I would suggest that even in that case the banks be designated by numbers.

Mr. WILLIAMS. All right, sir.

The CHAIRMAN. I don't like to be an instrumentality in any way of making public those things unless it is necessary, and I don't believe it is, for the purpose of this hearing.

Mr. WILLIAMS. I can assure you, Mr. Chairman, that there is nothing with regard to the banks which would be the slightest embarrassment to me personally.

The CHAIRMAN. Oh, assuming that, it might involve the comments and discussions that it seems to me might best be avoided, if possible, in public; so I prefer you should do that as far as I am concerned. If there is any objection to that course on the part of any member of the committee, I wish they would state it. Pass on to the next.

Mr. WILLIAMS. As far as I know, Mr. Chairman, that covers the list that was requested yesterday.

The CHAIRMAN. Now, Mr. Hogan, have we omitted anything?

Mr. HOGAN. Nothing that I recall.

The CHAIRMAN. Well, have you any suggestions to make in opposition to the course taken by the committee?

Mr. HOGAN. None whatever; entirely in line with what I respectfully suggested to the committee.

Senator HENDERSON. Mr. Chairman, I did not quite catch what you said in connection with the question as to the production of Mr. Williams's personal diary. What were your comments on that? I did not quite catch it.

The CHAIRMAN. He is to use his own discretion in that matter, in executive session. If there is anything that we want—that the committee wants—I understand he is perfectly willing to give it to us in executive session.

Senator HENDERSON. I was wondering if it was a diary that was kept personally in connection with these cases, or was it just a general diary from day to day?

The CHAIRMAN. Well, Mr. Williams knows now what Mr. Hogan expects to prove by those disclosures. Now it's up to him to use his judgment in the matter.

Senator HENDERSON. All right.

The CHAIRMAN. I don't feel like going any further.

Mr. WILLIAMS. Mr. Chairman, as this question of my diary is under discussion for the moment, may I illustrate the question which Senator Henderson has just asked by reading one or two extracts from that diary to show you the character of the memoranda?

The CHAIRMAN. Certainly; anything you wish to put in the record.

(Mr. Williams reads extract dated May 21, 1917, from diary, which later was ordered stricken from the record by action of the committee.)

The CHAIRMAN. Well, of course, Mr. Williams—

Mr. WILLIAMS. That refers to the Riggs Bank controversy. It was from a man who had read both sides.

Senator HENDERSON. Was this diary kept especially with reference to the banks?

The CHAIRMAN. That's all Mr. Hogan wants, of course.

Mr. HOGAN. I tried to make it exceedingly plain. I may not have done so, but the May 21, 1917, entry in this loose-leaf diary shows what I wanted for the other years which I indicated, and it is this: When Mr. Williams was endeavoring to have these men indicted, or in any manner concerned with the Riggs Bank or its officers, he put in his loose-leaf diary what he did and what he said, with the commendations of his actions during 1914-15 and 1916, when this prosecution was going on. That would be very enlightening, and the elaborate excerpt of May 21, 1917, just read, proves conclusively they must be there.

Mr. WILLIAMS. Mr. Chairman, I will say this volume here, and the other volume which I have available, contain, to the best of my belief, all the memoranda of any kind that were ever in these diaries. I have never, as a matter of fact, read the diaries over completely since

dictated, as it is my habit to call my stenographer to dictate a brief memorandum to be filed away.

The CHAIRMAN. Mr. Williams, any item that refers to the Riggs Bank prosecution that your diary contains is what Mr. Hogan wants.

Mr. WILLIAMS. This is one, Mr. Chairman; I would like permission to read this brief one.

The CHAIRMAN. Wait a minute, because you see we are losing time, and it will all have to be repeated later on, and I want to save time if possible. You have probably a number of them, and if you have everything there that relates to the Riggs Bank controversy, that you want to put into the record, that complies completely with Mr. Hogan's request. Now, if you are willing that those should go into the public record, why that ends this dispute. If you do not wish them to go into the public record, we will take them in executive session.

Mr. WILLIAMS. May I read this one that refers to it?

The CHAIRMAN. I wish you would answer my question?

Senator HENDERSON. I would not read one unless you are willing to read all.

The CHAIRMAN. I beg pardon?

Senator HENDERSON. I wouldn't read one unless you are willing to read all.

Mr. WILLIAMS. All I have are here.

The CHAIRMAN. I think it's a mistake to make two insertions of the diary in the record. If you are willing that they should go into the public record—

Mr. WILLIAMS. I am not willing that my entire private diary should go into the public record.

The CHAIRMAN. We are not asking for that, but simply for the items that apply to Mr. Hogan's question that while this controversy was on you had communications with the Department of Justice which would indicate your interest in the matter.

Mr. WILLIAMS. I know of no such records whatsoever, or communications. You refer to the perjury trial?

The CHAIRMAN. Well, to the Riggs Bank controversy.

Mr. WILLIAMS. I was a defendant in the equity case, with the Secretary of the Treasury. Of course, I was in close touch with the Department of Justice in connection with that suit. But as to the perjury case I had nothing whatever to do with it.

The CHAIRMAN. And there are no entries in your diary with regard to it?

Mr. WILLIAMS. None that I know of. As I say, I have never read it through since dictating my memoranda, but I have glanced over it.

The CHAIRMAN. Does that answer your question?

Mr. HOGAN. No, sir; I asked that now something has been put in the record on the subject, that Mr. Williams be requested, if the committee so desires, to take from his diary accurate and specific statements made there in the years 1914-1915-1916, relating to the Riggs Bank, its officers, or any of them, the Department of Justice, the Attorney General, and the District Attorney. The inference to be drawn from that will be for the committee, not for Mr. Williams or myself. That ought to be supplied. It's loose leaf.

The CHAIRMAN. What have you to say in reply to that?

Mr. WILLIAMS. I shall be very glad to go over the matter with the committee in executive session, Mr. Chairman.

Mr. HOGAN. May I say this, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. HOGAN. I personally have no right to object to any course of procedure, nor would I dare to do so, but I do not think that we should have one selected commendation put in open session, and the other things, which will show what I say they will show, put in executive session.

The CHAIRMAN. That is true, but the committee will take care of that, Mr. Hogan; but I do not feel like asking Mr. Williams to put any extracts from his personal diary into the public record, nor do I feel like asking him to disclose anything in executive session unless it directly relates to this controversy.

Mr. HOGAN. That's all I ask. If his personal diary shows personal matters, then it ought to be known to the Senate of the United States. That is simply the view of this citizen, which I suggest respectfully.

Mr. HENDERSON. Mr. Chairman, of course, there is a rule of evidence which, if we go into one part of a subject, the other side is entitled to go into the whole subject. I think in fairness to all sides, Mr. Williams should have the right to look over the diary, and see if there is anything in there pertinent to the subject matter before us; and it would be well for Mr. Williams to withdraw the statement that he has just made, reading from that diary, so nothing will appear in this record with reference to that.

The CHAIRMAN. I think that's a good suggestion, and we will strike that memorandum from his private diary from the record. Now, then, Mr. Williams, I wish you would look over that diary carefully, and at the next meeting you can state to the committee just what you are willing to do.

Mr. WILLIAMS. I state now that I am willing to go over it with the committee in executive session, Mr. Chairman, if they wish it.

The CHAIRMAN. Well, if they relate to this controversy with the Riggs Bank, you see, Mr. Hogan has insisted that you discriminated against the bank.

Mr. WILLIAMS. I have proved the contrary, Mr. Chairman.

The CHAIRMAN. Well, and you introduced a great many records which you claim disprove his statement—his original statement. Now, he says there are items in this diary which will substantiate his original statement, and my impression is if there are any such items in your diary they could go into the public record in your interest, because, if this thing comes up in open Senate, you will see the effect it will have if the committee have information which they can not disclose to the Senate; and I wish you would consider that.

Mr. WILLIAMS. Well, I don't see—

The CHAIRMAN. The advisability of giving the committee and putting into the open record any memoranda which you have in your private diary directly connected with the Riggs Bank controversy tending to substantiate or contradict the statement made by Mr. Hogan.

Senator HENDERSON. On what authority is the statement made by Mr. Hogan that Mr. Williams's private diary contained certain matters and things? Has he read that diary, or had some one read it over?

The CHAIRMAN. Mr. Hogan can state his reasons for requesting the diary. He has stated them, but he can restate them.

Senator HENDERSON. I understand they are in writing there—the questions submitted?

Mr. HOGAN. Yes.

The CHAIRMAN. Senator Henderson has not been here.

Mr. WILLIAMS. No, Mr. Chairman; as I understood the Senator, he asked why the witness makes the statement as to matters contained in my personal diary? Has he read it?

Senator HENDERSON. No; I understood the chairman to read from the questions submitted by Mr. Hogan that he had been informed, and the request is made on information and belief.

Senator OWEN. I was asking what information he had with regard to the private diary of Mr. Williams; what that information is and from what source derived.

Mr. WILLIAMS. I should like to have that answered.

The CHAIRMAN. Well, I don't know that Mr. Hogan ought to be expected to give the source of his information.

Senator OWEN. I do not care whether he gives it or not; I am asking the question.

The CHAIRMAN. He says he has such information.

Senator OWEN. I asked where he gets his information.

Senator HENDERSON. For the benefit of the Senator, I would state that it was left with Mr. Williams whether he cares to submit it or not.

Senator OWEN. I make the inquiry and I wish a definite refusal of it—what the information is and where he got it.

Mr. HOGAN. Mr. Chairman, I have no objection to answering. I never dodged a question in my life, and will not do so now. Senator Owen, some disloyal, confidential employee of Mr. Williams, whose name personally is utterly unknown to me, in the year 1916 endeavored to offer to officials and attorneys of the Riggs National Bank carbon copies of loose-leaf diary entries made by Mr. Williams with respect to Mr. Williams' activities with regard to the Riggs National Bank. The offer, if it could be so termed, was of course spurned with contempt and not accepted. That is the way, and it was reported to me that Mr. Williams at that time was keeping a loose-leaf type-written diary of his activities toward the Riggs Bank and its officers, and upon that basis wanted to know what his personal activities were as narrated by himself contemporaneously. I ask this committee to ascertain what the facts were.

Senator HENDERSON. Is that disloyal employee still there?

Mr. HOGAN. I do not know, sir. It was indicated to me, the fact that even those near the man were not loyal, and we had nothing, of course, to do with it. If he had submitted the diary to us we would not have perused it.

Senator HENDERSON. If he is still there, Mr. Williams should know it.

Senator OWEN. Then I wish to make this observation, that this alleged information of the contents of the private diary of Mr. Williams came from a person confessedly guilty of treachery and disloyalty, and the evidence which he pretended to be willing to offer was not offered in fact. That's all I care to say.

Mr. HOGAN. Senator Owen, may I have only a minute?

The CHAIRMAN. Certainly.

Mr. HOGAN. At the hearings of the committee at which you were not present, it was stated that Mr. Williams's activities with respect to the Riggs Bank were not inspired by official desire to perform public service, but were personal and were based upon personal animosities. As a lawyer, it occurs to me that the best proof of whether that is true is that which is contained in the personal writings of the one against whom the charge is made. The courts have said, and you know it better than I do, that the source of evidence is entirely unimportant, if the evidence itself is credited; and I say, and I only submit it to the committee, because I have absolutely no interest in it, that in view of the statement which was made, and Mr. Williams's personal animus in the conduct of public office, and in view of the disclaimers made, it would enlighten this committee to have before it what he personally wrote on the subject contemporaneously. Now, that's all I have to say on the subject.

Mr. WILLIAMS. Mr. Chairman——

Senator OWEN. I recall when this committee first assembled in 1913, officials of the Riggs Bank made a very lively attack on Mr. Williams, which this committee heard, and concluded was not well founded.

Mr. HOGAN. That's right, Senator Owen.

Senator OWEN. So there might be some personal feeling on their part, and it would not be unnatural if Mr. Williams should resent it.

Mr. HOGAN. I am glad you recalled it, Senator Owen, because I recall it in the record, when you were absent. I am glad you refer to it as a "lively attack." You will further recall, Senator Owen, that the only lively attacks made on Mr. Williams at the 1913 hearings were by two officers of the Riggs Bank, and as a result of that "lively attack" the Riggs Bank suffered this two years of persecution which I have heretofore incorporated in this record. It was the result of what you called attention to that the public office was used to resent what you have described so aptly as a "lively attack."

Senator OWEN. Well, you speak of it as a result, but the result as I recall it shows that the examiners of the Office of the Comptroller of Currency, long before Mr. Williams came into the service of the Government of the United States, had made repeated efforts to persuade the Riggs National Bank officers to refrain from doing the things which were contrary to the rules and regulations of the comptroller's office, and as I understand it, contrary to the national bank act.

Mr. HOGAN. I have, of course, no right to debate the question with the Senator.

Senator OWEN. I am not proposing to debate it; I am simply answering the suggestion which you made, that the result of this "lively attack" was, in Mr. Williams's subsequent conduct, when the fact appears from the records, if I understand it, that the examiners had been for years trying to persuade the Riggs National Bank not to do certain things.

Mr. HOGAN. The Senator, when he examines the records, will find there could have been no possible relation to any bank, and that none of the criticisms of bank examiners which the Senator refers to at any date anywhere nearly approximated the activities of Mr. Williams. However, the record, of which the Senator, with so

many other things to attend to, has not read in full yet, will undoubtedly disclose to the Senator's mind, as to any fair mind—and I know Senator Owen's can correctly be described as such—that the charges that we make that there was absolutely no reference between the two things is so abundantly proved that they amount to a mathematical demonstration.

The CHAIRMAN. The question now is, whether these extracts from the diary should go into the public record, or be considered by the committee in confidence. I understand Mr. Williams has no objection to giving them to the committee in executive session. Am I right, Mr. Williams?

Mr. WILLIAMS. My letter states my position very explicitly.

The CHAIRMAN. And if you adhere to that view, why, that ends that subject. If you decide that you prefer to have them go into the public record—

Mr. WILLIAMS (interrupting). I should be glad to discuss with the committee, Mr. Chairman, the propriety of putting into the public record such portions as may seem proper to go in, or as bear on the subject.

The CHAIRMAN. Now, Mr. Hogan, are you ready to go on this morning with your reply, or do you first wish to—

Mr. HOGAN (interrupting). No, I do not first wish to, because, as I said before—

The CHAIRMAN (continuing). Examine the records that Mr. Williams is willing to put in?

Mr. HOGAN. No, I want the committee to do that. I don't care to. There is only one thing I should like to have—the list of examinations made of national banks in Washington in 1916.

The CHAIRMAN. I would suggest that we will have to close the hearing at a quarter to 12 to-day. If you will look that over and be prepared by to-morrow morning at 10 o'clock to proceed with your statement.

Mr. HOGAN. May I make a suggestion? I notice National Bank Examiner Mr. James Trimble is in the room.

Mr. WILLIAMS. Mr. Chairman, there is one statement I wish to make in connection with this before the witness takes the stand.

Mr. HOGAN. Let me finish.

The CHAIRMAN. Let Mr. Hogan finish.

Mr. HOGAN. I would like, if Mr. Trimble is in the room, for him to make a statement if he cares to do so, with respect to a visit made by him on a Sunday to the Department of Justice in the year 1915, at the request of Mr. Williams, when he appeared before the Attorney General in regard to evidence Mr. Williams was having him seek, with reference to Riggs Bank officers, if Mr. Trimble recalls it.

Mr. TRIMBLE. Mr. Chairman and gentlemen, I never made a visit in connection with the Riggs Bank to the Attorney General or any assistant attorney general on Sunday or any other day of any week in my life.

Mr. HOGAN. You understand that included the district attorney?

Mr. TRIMBLE. Yes.

Mr. HOGAN. On any date in a week in your life?

Mr. TRIMBLE. No, on any date; I never visited the Attorney General's office in my life when I got to see the Attorney General. I

went to the Attorney General's office perhaps a year ago in regard to another case under the direction of the Comptroller of the Currency to get some information in regard to another case, as to what was being done with it. I did not see the Attorney General or any assistant. I saw Mr. Bruce Bielaski.

The CHAIRMAN. You are talking about something happening a year ago?

Mr. TRIMBLE. A year ago, in regard to another case entirely, in that district.

The CHAIRMAN. You need not take up the time of the committee with that.

Mr. WILLIAMS. May I make a little statement here in regard to the examinations which Mr. Hogan has spoken of for 1916? On page 114 Mr. Hogan says:

The law requires that there shall be at least two national-bank examinations of every national bank a year. In the entire year, 1915, except the Riggs National Bank no national bank in the District of Columbia received the examinations that the law required. The primary thing for the safety of depositors and stockholders was ignored. The reports made by the banks themselves is the secondary thing by which the bank's condition may be ascertained. It is the examiners with their assistants, unannounced, the date of their coming not known, walking into the bank and sealing up things, and examining. That is the big safeguard of depositors. Why were the national banks of the District of Columbia, 10 of them, outside of Riggs, not given the required examinations in 1915? And I think I could almost say that too of 1914, to a large extent. I will show you the dates in a little while. Because the national-bank examiner and his assistants were placed in the Riggs National Bank, kept there day in and day out, kept there digging into the archives of the bank to find out something with respect to the officers' personal conduct 20 years before the time they were making the examination. That is the reason why.

Senator HENDERSON. What I wanted to know is: In the reports made by the bank to the Comptroller of the Currency were these facts relative to dummies, as referred to here, given?

Mr. HOGAN. Yes, sir.

Senator HENDERSON. I understand, then, from your testimony, that the Nevius case was reported by the bank, as you practically explained it?

Mr. HOGAN. Yes, sir; and that when he wrote his letter of January 22, 1915, asking for those facts, he had this thing, because this is an exhibit which emanated from him, and he had it, as shown in his correspondence.

Incidentally, I will state that the reports by the bank examiners did not disclose the dummy loans. They were ascertained after investigation and oral examination of the officers themselves, but that's incidental; the statement I want to emphasize is that the record called for by Mr. Hogan was for 1914 and 1915, primarily. On the next page, 195 [reading]:

The CHAIRMAN. Mr. Hogan, you stated that the other national banks were not examined during the year 1915.

Mr. HOGAN. To my understanding, I said.

The record shows that that statement was also incorrect.

Now I will turn to page 144 [reading]:

The CHAIRMAN. What you are testifying to now, I suppose, is a matter of record?

Mr. HOGAN. Yes; all these things are matters of record.

In the year 1916 the Federal National Bank, in this city, in violation of the law which the comptroller has sworn to enforce, was subjected to a bank examination but once, and that examination was October, 1916, ending on October 2. A splendid financial institution is that bank, but what have you Senators to say when a man comes in here and swears to perform the duties of his office, in the face of that requirement of the Revised Statutes, but the comptroller

here, right in the city, when he is using his bank examiners as he used them against the Riggs Bank does not have the Federal National Bank, a block away from the Treasury examined at all from March, 1915, until October, 1916? Get, if you please, the long time that passed between those examinations.

Now, Mr. Chairman and gentlemen, that is simply another instance of the willful misstatements of this witness. There is no foundation whatsoever for that utterance of his. There were two examinations for 1916, two examinations required by law, one March 9, 1916, and the other October 2, 1916. I produce them here for the use of the committee in executive session. I simply call attention to that in passing as a simple, a minor illustration of his utter disregard and recklessness of facts in his endeavors to attack the comptroller's office.

I now submit, Mr. Chairman, a list of the examinations made by the comptroller's office of the national banks of the District for the year 1916.

The CHAIRMAN. Now, Mr. Hogan, are there any records which Mr. Williams has introduced, or will there be records which he has promised to furnish the committee which you wish to examine before you make your statement?

Mr. HOGAN. Only the one that has just been handed to you.

The CHAIRMAN. This one [indicating]?

Mr. HOGAN. Yes, sir; and I think I can look at that now with your permission.

Mr. WILLIAMS. Mr. Chairman, while speaking of the examinations for 1914, 1915, and 1916, I have answered—I have explained why it was not practicable to examine all of the banks twice, immediately after the passage of the act.

The CHAIRMAN. Yes; you have gone into that matter.

Mr. WILLIAMS. And how it became necessary for us to enlarge the force of examiners, how it was necessary to concentrate upon certain banks in bad condition and get them in clean condition, and have the necessary reforms put into effect, To prove—to show, illustrate the efficacy of the examinations by the comptroller's office, that they have measured up, I think, pretty close to 100 per cent; I remind you of the fact that from the 1st of January, 1918, until the later part of last month there were only two national bank failures in the entire country, an average of about one every 10 months. I call your attention to the fact that that record is 20 times—approximately 20 times better, nearly 2,000 per cent better than the record for immunity from failure of the national banks in the 25 years preceding the administration of the present comptroller. Now, I think that is a complete answer, a very effective answer, as to the adequacy of the examinations and the wisdom of the policies, whatever they have been, of the Comptroller of the Currency, in giving his attention to the banks that needed the examination most, and, where necessary to do so, in deferring the examinations of some of the banks which were known to be in good condition, and from whom we received reports six times a year.

The CHAIRMAN. Now, any other statement that you wish to make this morning, Mr. Williams? The committee will continue the hearings until a quarter of 12.

Mr. WILLIAMS. In connection with the inability occasionally of the comptroller's office to complete the two examinations of all national

banks, I would call attention to the fact that there have been frequent resignations in the force of national-bank examiners both in the field examiners and in the chief examiners. It appears that they receive a training in the prosecution of their duties as examiners which the national banks and State banks of the country seem to value, and they are constantly offering them larger salaries in order to utilize their skill and experience as officials of the large banks of the country. Those resignations have sometimes embarrassed us by their frequency, and the inability at once to fill the places of the expert examiners who have been called to other fields by the financial emoluments which are offered to them; but that is simply an evidence that the skill and ability of the examiners is recognized by the banks whom they are examining.

Mr. CHAIRMAN, on the particular matters which we have been discussing this morning I defer further comments for the present, but will have something further to say.

The CHAIRMAN. Now, Mr. Williams, we have to close these hearings some time. I am anxious that you complete your reply to Mr. Hogan, and then expecting—anticipating that Mr. Hogan's statement will close the hearing.

Mr. WILLIAMS. You mean finish my statement now?

The CHAIRMAN. That he is to make.

Mr. WILLIAMS. I did not understand that at all, Mr. Chairman. I assume that I will be given the opportunity of answering the statements he makes. If he confines himself to the truth, I shall have nothing to say.

The CHAIRMAN. If there is any special point contradicting the statement he makes, will it be satisfactory for you to reply in writing?

Mr. WILLIAMS. I should like the opportunity of appearing before the committee to make my statements. I have been confining myself this morning mostly to the questions which Mr. Hogan brought up yesterday.

The CHAIRMAN. Well, we have to finish it some time. Mr. Cooper, do you want to make any further statement to the committee on this matter?

Mr. COOPER. I don't think so, Mr. Chairman.

The CHAIRMAN. Very well; the committee is adjourned until tomorrow morning at 12 o'clock.

(Whereupon, at 11.35 o'clock a. m., the hearing was adjourned.)

NOMINATION OF JOHN SKELTON WILLIAMS.

FRIDAY, SEPTEMBER 5, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.16 o'clock a. m. in the committee room, Senate Office Building, Senator George B. McLean, presiding.

Present: Senators McLean (chairman), Newberry, Henderson, and Owen.

Others present: John Skelton Williams, Comptroller of the Currency; Frank J. Hogan, representing the Riggs National Bank; Mr. Wade H. Cooper; Mr. James Trimble, national bank examiner; and others.

The CHAIRMAN. The committee will be in order.

Mr. Hogan, about how much time do you expect you will need?

Mr. HOGAN. I do not know, Senator; I will not take any more time than necessary, and there will be some things I can insert in the record without reading.

The CHAIRMAN. Mr. Williams wants to put in papers this morning that have been called for, and I suppose there is no objection to that.

Mr. HOGAN. No, Senator. As you know, I came here from New England and I am very anxious to get away.

The CHAIRMAN. Yes. Well, we will let you. Now, if there will be any comment, Mr. Williams, it will have to be postponed, because Mr. Hogan is anxious to get away. He has been here now waiting on the committee two days.

Mr. WILLIAMS. Mr. Chairman, he has called for those reports, and he has made the bold statement that if he had that information he would disprove testimony that has been given. Now, if it's a fair thing to do, I want to give that information to the committee before he answers, so he may not say he has not had the opportunity of replying.

The CHAIRMAN. Very well; proceed.

Mr. WILLIAMS. The record of the hearings before this committee on September 2, enumerated some nine sets of questions for information which were asked for:

First, a statement giving the dates in the year 1916 on which each national bank in the city of Washington was subjected to examination by the National Bank Examiners, as commanded by law.

That was presented yesterday.

Second, from the records of the comptroller's office, which records contain the data, I ask that he be called upon to produce a list showing loans to officers, directors, and employees of every national bank in the city of Washington,

first, at the time of the first report made in response, subsequent to July 1, 1914; and, second, at the time of the last examination of a national bank examiner preceding July 1, 1914.

I submit the reports herewith, Mr. Chairman. They are voluminous.

Third, I ask that he be required to produce before this committee the diary kept by John Skelton Williams in the years 1915 and 1916, particularly with reference to the entries therein on the subject of the Riggs Bank, and its officers, and also on the subject of the Attorney General, and the attorneys who represented Mr. Williams, and his codefendants in the Riggs Bank equity case.

The CHAIRMAN. Mr. Williams, we decided yesterday that you need not submit those.

Mr. WILLIAMS. Well, they have been called for, and I am perfectly willing to submit them.

The CHAIRMAN. We understand that.

Mr. WILLIAMS. And I wish to submit these statements now:

The attached papers are copies of leaves taken from my private diary covering the years 1914, 1915, and 1916, and are verbatim copies of every entry made by me during that period, as contained in my said diary, relating to any conversation had by me or statements made by me to the Secretary of the Treasury or any other Treasury official or with the United States District Attorney or any other official of the Department of Justice, or with any directors or counsel of the Riggs National Bank, referring directly or indirectly to the Riggs controversy or to the Riggs equity suit or to the perjury suit against Messrs. C. C. Glover, W. J. and H. H. Flather, officers of the Riggs National Bank.

These, of course, are only for a conference in executive session. They are here:

Fourth, that there be produced from the files of the comptroller's office a copy of every letter sent to every national bank in Washington, Riggs, of course, excepted, as it has already been produced, criticizing, commenting upon, or making a reference to loans to officers, directors, and employees, or either of these classes, rendered in the years 1914 and 1915.

Mr. Chairman, those letters are here for the executive session, the executive use of the committee.

The CHAIRMAN. Are they marked "executive session?"

Mr. WILLIAMS. No; I will mark them.

The CHAIRMAN. I wish you would mark all exhibits.

Mr. WILLIAMS. Next:

That there be produced statements from the official records of the comptroller's office showing on what work Mr. James Trimble, national-bank examiner, was engaged from May 22 to December 31, 1915, both dates inclusive, giving the duration in each instance of the work on which the examiner was engaged, together with data showing what assistants the national-bank examiners for the District of Columbia had during that period and on what work these assistants were engaged during that period and the duration in each case.

I should like to read this into the record.

The CHAIRMAN. No; it will be printed. We can not wait for that now. It is not necessary.

Mr. WILLIAMS. This is not for executive session.

The CHAIRMAN. That can go into the record.

Mr. WILLIAMS. Yes; all right.

Sixth, that there be produced statements from the official records of the comptroller's office or from the records kept by National Bank Examiner James Trimble, showing how frequently he reported to the United States Attorney for the District of Columbia, or visited the office of the United States Attorney for

the District of Columbia during the year 1915 prior to September 22 of that year, as to which last-named date there was spectacularly produced before this committee a subpoena calling upon Mr. Trimble to visit the United States district attorney's office.

Mr. Chairman, this is a very brief letter. I would like to read it.

The CHAIRMAN. No; put it into the record.

Mr. WILLIAMS. It can go into the record though.

The CHAIRMAN. Certainly.

Mr. WILLIAMS (reading):

National bank examiner.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, D. C., September 4, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: Before the Senate committee yesterday the witness, Mr. Frank J. Hogan, requested that he be furnished with a statement as to the occasions on which I called on District Attorney Laskey in connection with the Riggs litigation.

In reply I beg to advise you that I kept no diary of the infrequent occasions when, in the performance of my official duties, it became necessary or desirable to call on the district attorney as national bank examiner, either in connection with the Riggs litigation or in connection with any of the other cases which from time to time it has been my duty as examiner to report to the district attorney; and, therefore, I regret that it is impossible to supply, with any degree of accuracy, the number of occasions on which I called.

I will take advantage of this opportunity, however, to state most emphatically that Mr. Hogan's statements or insinuations to the effect that the indictments of Messrs. C. C. Glover, W. J. Flather, and H. H. Flather for perjury, was brought about as a result of pressure or insistence on the part of the Comptroller of the Currency or of any of the officers or employees of the bureau under him are, to the best of my knowledge and belief, wholly without foundation.

Respectfully,

JAS. TRIMBLE,
National Bank Examiner.

Mr. WILLIAMS (continuing):

Next, I ask that there be produced from the official records lists showing the number of national-bank examiners and the number of assistants to national-bank examiners on duty in Washington during the years 1912 to 1918, inclusive, together with the names and titles.

I submit this for the record:

SEPTEMBER 4, 1919.

Memorandum for the comptroller:

The following is a list of national-bank examiners and assistant national-bank examiners on duty in Washington, D. C., during the period 1912 to 1918, inclusive:

1912.

National-bank examiners.

Samuel M. Hann.
R. J. C. Dorsey.

Assistant national-bank examiners.

Prior to November 16, 1914 (the date of the inauguration of the Federal Reserve System), the examiners employed their own assistants and their names are not of record in this office.

1913.

Samuel M. Hann.
R. J. C. Dorsey.
R. W. Goodhart.

Same as in 1912.

1914.

National-bank examiners—Con.

R. J. C. Dorsey.
 R. W. Goodhart (1 examination only).
 Owen T. Reeves.
 Sherrill Smith¹ (Nov. 14 to Dec. 31).
 James Trimble.

Asst. national-bank examiners—Con.

E. J. Donohue (Nov. 16 to Dec. 31).
 E. A. Vavrina (Nov. 16 to Dec. 31).

1915.

R. J. C. Dorsey.
 Sherrill Smith¹ (Jan. 1 to 13, Mar. 4
 to 6, Apr. 14 to May 21, May 27 to
 Oct. 5).
 James Trimble.

E. J. Donohue.
 E. A. Vavrina.

1916.

R. J. C. Dorsey.
 James Trimble.
 Thos. P. Howard² (1 examination
 only).

E. A. Vavrina.
 E. J. Donohue (to June 2, 1916).

1917.

R. J. C. Dorsey.
 James Trimble.
 R. Gordon Finney (3 examinations).
 R. L. Hargreaves (4 examinations).
 Stephen L. Newnham³ (13 examina-
 tions).
 J. K. Woods (3 examinations).

E. A. Vavrina.
 Thos. F. Kane (from Mar. 16).
 M. F. Trimble (Mar. 1 to 15 only).
 J. E. Thompson (Dec. 12 to 31 only).

1918.

R. J. C. Dorsey.
 Jas. Trimble.
 R. Gordon Finney (9 examinations).
 Stephen L. Newnham (6 examina-
 tions).

E. A. Vavrina (until Mar. 3, 1919).
 Thos. F. Kane (except June 1 to Nov.
 24, in Navy).
 Wm. P. Folger (employed for short
 periods only).
 M. A. Creasy.
 H. A. Graham (from Oct. 1, 1918).
 J. Cooke Grayson (from July 6, 1918).
 Jas. Trimble, Jr. (Sept. 3 to 12 only).
 Thos. H. Davis (only 1 examination).
 J. E. Thompson (until Sept. 10).

H. B. DAVENPORT,
Assistant Chief Division of Examinations.

TREASURY DEPARTMENT,
 OFFICE COMPTROLLER OF THE CURRENCY,
 Washington, September 4, 1919.

HON. GEORGE P. MCLEAN,
*United States Senator,
 Chairman Banking and Currency Committee,
 Washington, D. C.*

DEAR SIR: In response to the suggestions made by you at to-day's meeting of your committee that I should furnish you a table showing the loans made to the officers, employees, and directors of the national banks in the District of Columbia in tabulated form at the times of the first examinations of these

¹ Chief examiner 7th Fed. Res. Dist. The records relative to Chief Examiner Sherrill Smith prior to Nov. 14, 1914, can not be located. Mr. Smith was on leave of absence July 3, 17, and 19, 1915.

² Chief national bank examiner, 5th district.

³ Supervising national bank examiner.

national banks in the years 1913, 1914, 1915, and 1916, I now beg leave to hand you table A, giving the above information as to the national banks of the District at the time of the first examinations in 1913, as prepared by national-bank examiners from the reports of examinations; the reports of examinations themselves I present herewith; Table B, giving the same information as to the national banks of the District for the year 1914; Table C, similar information for the year 1915; Table D, the same information for the year 1916, all certified as correct by National Bank Examiner S. B. Congdon.

The national banks of the District in each year are designated by numbers, beginning with the bank which is lending the least sum to its officers, employees, and directors, and ending with the bank which is lending the largest sum.

From the reports of the examiners which I hand you herewith, you can readily identify the bank making the loans shown in the accompanying tables.

Respectfully, yours,

JNO. SKELTON WILLIAMS,
Comptroller.

TABLE A.

The following list shows the loans made by national banks of the District of Columbia to their officers, employees, and directors at the time of the first examinations in 1913 by the national-bank examiners. The banks are numbered in the order of the aggregate amount of their loans to officers and directors, the bank at the top having the smallest amount of such loans outstanding, and the bank at the bottom the largest.

Banks.	Total loans to officers, employees, and directors.	Total loans to officers and employees.	Total loans to directors.	Banks.	Total loans to officers, employees, and directors.	Total loans to officers and employees.	Total loans to directors.
No. 1.....	\$21,724	\$5,524	\$16,200	No. 8.....	\$185,023	\$99,040	\$85,983
No. 2.....	33,355	9,062	24,293	No. 9.....	300,976	127,032	173,944
No. 3.....	102,588	21,771	80,817	No. 10.....	307,751		307,751
No. 4.....	105,109		105,109	No. 11.....	326,068	2,700	326,358
No. 5.....	114,282		114,282	No. 12, Riggs National Bank.....	689,475	301,925	387,550
No. 6.....	118,000	2,076	115,924				
No. 7.....	149,539	37,683	111,856				

The foregoing statement shows that at the time of the examinations referred to, the Riggs National Bank was lending to its officers and employees \$301,925, or within \$2,963 of the aggregate amount lent by the other 11 banks of the District to all of their officers and employees, \$304,888.

If we should deduct from the loans to "officers" of national banks the loans to those officers who are actively engaged in outside business enterprises and who devote only a portion of their time to the affairs of the bank, we would find the total amount of money loaned by the Riggs National Bank to its active officers, \$301,925, was more than twice as large as the amount of money loaned by all of the other national banks of the District to all of their officers and employees not actively engaged in outside business, namely, \$146,239.

The statement also shows the Riggs National Bank at the time of the May, 1913, examination was lending to its officers, employees, and directors (including two "dummy" loans of something over \$40,000), the sum of \$689,457 (exclusive of indirect liabilities not included in above table which would bring the total up to over \$800,000). This \$689,475 was more than twice as much as the largest amount of direct loans of any one of the other national banks of the District at the time of the 1913 examinations to their officers, employees, and directors; in fact, the amount of such loans by the Riggs National Bank to its officers and directors exceeded the aggregate amount of such loans which were found at the time of their 1913 examinations in seven of the national banks of the District.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

TABLE B.

The following table shows the loans made by all the national banks of the District of Columbia at the time of their first 1914 examinations by the national-bank examiners, to their officers, employees, and directors:

Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.	Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.
No. 1.....	\$29,948	\$10,298	\$19,650	No. 8.....	\$203,212	\$68,801	\$134,411
No. 2.....	39,159	8,724	30,435	No. 9.....	20,588	76,711	126,877
No. 3.....	42,042	4,273	37,769	No. 10.....	308,216	83,563	224,653
No. 4.....	106,189	3,616	102,573	No. 11.....	320,997	37,431	283,566
No. 5.....	123,993	4,675	119,318	No. 12.....	368,446	11,209	357,237
No. 6.....	131,187	15,300	115,887	No. 13 (Riggs).....	521,981	222,484	299,497
No. 7.....	172,421	75,240	97,181				

From the foregoing table it will be seen that the Riggs National Bank was loaning at the time of the first examination in 1914 to its officers and employees the sum of \$222,484 (including two "dummy" loans aggregating about \$40,000), or more than two and one-half times as much as any other national bank in the District was loaning to its officers and employees at that time.

In fact, the Riggs National Bank's loans to officers and employees exceeded the aggregate of all similar loans made by nine other national banks of Washington at the time of the examinations referred to.

Total loans made to officers, employees, and directors by the Riggs National Bank, as shown by the above table, was \$521,981. This exceeded by more than \$150,000 the aggregate of all such loans made by any other national bank in the District, and the amount of the Riggs National Bank's loans to insiders exceeded the sum total of all such loans made at the time of the examinations referred to by six of the other national banks of the District.

If we deduct from the aggregate all loans made to the officers of other national banks who are engaged in outside business enterprises and devoting a portion of their time to the banks, we will find that the amount of money that the Riggs National Bank was lending to its active officers was more than all the other national banks of the District of Columbia combined were lending at the time to all of their active officers not engaged in outside business.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

TABLE C.

The following table shows the loans made at the time of the first examination in the year 1915 by the national bank examiners of all national banks in the District of Columbia to their officers, employees, and directors.

The figures as to the Riggs National Bank were for the examination of August 16, 1915. The loans of this bank to officers and directors by August 16, 1915, while the litigation with the comptroller's office was before the court, had been reduced from an aggregate of \$689,475 at the examination of May, 1913, to \$207,047 in August, 1915.

The records, however, indicate that the active officers of the bank had not really liquidated their loans but had transferred them to other national banks with which the officers of the Riggs National Bank were in one way or another affiliated and to two local trust companies, and that the borrowings from these institutions by four active officers of the Riggs Bank had amounted to more than \$750,000 very largely upon speculative bonds and stocks.

Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.	Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.
No. 1.....	\$33,354	.....	\$33,354	No. 8.....	156,059	65,825	90,234
No. 2.....	48,931	\$12,056	36,875	No. 9 (Riggs).....	2,7,047	.....	207,047
No. 3.....	49,634	14,184	35,450	No. 10.....	209,385	72,291	137,094
No. 4.....	105,171	63,540	41,631	No. 11.....	372,103	9,843	362,260
No. 5.....	113,521	8,070	105,451	No. 12.....	386,711	26,014	36,711
No. 6.....	124,755	11,089	113,666	No. 13.....	432,447	37,466	394,981
No. 7.....	135,926	13,410	122,516				

The foregoing table shows that the amount of loans made by the Riggs National Bank to its directors at the time of the August, 1915, examination was \$207,047 which was less than the loans that were being made at that time by four other national banks in the District to their directors, officers, and employees, but still exceeded by about \$60,000 the sum total of all loans made to directors of four of the national banks in the district all combined.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

TABLE D.

The following table shows the loans made, at the time of the first examinations in the year 1916 by the national bank examiners, by all the national banks of the District of Columbia to their officers, employees, and directors. This table shows that at the time of the 1916 examinations, as a result of the efforts and remonstrances of the comptroller's office, the irregular and excessive loans which the Riggs National Bank had long been in the habit of making to its officers and employees, largely on speculative securities, and on dummy loans, and which at the time of May, 1913, examination, including loans to directors, had aggregated \$689,475 (exclusive of indirect liabilities), had been largely cleaned up and eliminated and the sum total reduced to about \$225,000, or to be exact, \$224,975, immediately preceding the rechartering of the bank in June, 1916:

Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.	Banks.	Total loans to officers, employees, and directors.	Loans to officers and employees.	Loans to directors.
No. 1.....	\$14,600	.....	\$14,600	No. 8.....	\$119,904	\$12,593	\$107,311
No. 2.....	32,391	\$12,051	20,340	No. 9.....	149,121	8,000	141,121
No. 3.....	51,840	7,313	44,527	No. 10.....	197,933	107,852	90,081
No. 4.....	89,980	9,825	80,155	No. 11 (Riggs).....	224,975	25	224,950
No. 5.....	82,078	36,247	45,831	No. 12.....	316,813	5,836	310,977
No. 6.....	87,603	1,203	86,400	No. 13.....	329,246	44,500	284,746
No. 7.....	110,914	2,655	108,259	No. 14.....	364,469	136,848	227,621

At the time of the 1916 examinations there were three other national banks in Washington whose loans to officers, directors, and employees exceeded the amount of such loans made by the Riggs National Bank. The Riggs National Bank's loans to its directors at the time had been much reduced, but still exceeded the sum total of such loans made by five other national banks of the District to their directors.

Certified correct.

SIDNEY B. CONGDON,
National Bank Examiner.

Mr. WILLIAMS (continuing):

Eighth, that there be produced a statement from the official records of the office of the comptroller, showing the total amount of loans to officers, directors, and employees of each national bank in Washington, Riggs excepted, as Riggs is already in the record, at the time examinations were made by the national bank examiners during the period from July 1, 1913, to December 31, 1916; and it is respectfully suggested that this statement be verified by the production of the original reports of the national bank examiners in the case of each bank examined during the period mentioned.

Here are the original reports, Mr. Chairman and gentlemen, and here is a letter conveying tabulated statements for the four years. May I read the letter? It is very brief.

The CHAIRMAN. Tabulated statements of what?

Mr. WILLIAMS. This letter will explain. May I read it?

The CHAIRMAN. Yes.

Mr. WILLIAMS (reading):

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, September 4, 1919.

Hon. GEORGE P. McLEAN,

United States Senator, Chairman Banking and

Currency Committee, Washington, D. C.

DEAR SIR: In response to the suggestions made by you at to-day's meeting of your committee, that I should furnish you a table showing the loans made to the officers, employees, and directors of the national banks in the District of Columbia, in tabulated form, at the times of the examinations of these national banks in the years 1913, 1914, 1915, and 1916, I now beg leave to hand you—

Table A, giving the above information as to the national banks of the District at the time of the examinations in 1913, as prepared by national-bank examiners from the reports of examinations; the reports of examinations themselves I present herewith.

Table B, giving the same information as to the national banks of the District for the year 1914.

Table C, similar information for the year 1915.

Table D, the same information for the year 1916.

All certified as correct by National Bank Examiner S. B. Congdon.

The national banks of the District in each year are designated by numbers, beginning with the bank which is lending the least sum to its officers, employees, and directors, and ending with the bank which is lending the largest sum.

From the reports of the examiners which I hand you herewith, you can readily identify the bank making the loans shown in the accompanying tables.

Respectfully, yours,

JNO. SKELTON WILLIAMS,
Comptroller.

I should like this to go into the record, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. WILLIAMS. With these tables. Would you rather it should not be read now?

The CHAIRMAN. Oh, you need not read it now. They will go into the record, and, as I understand, there is no objection to their going into the public record.

Mr. WILLIAMS. I desire them to go into the public record.

The CHAIRMAN. Very well.

Mr. WILLIAMS (reading):

Ninth. I request that the comptroller be required to produce here from the official records of the comptroller's office a copy of every letter sent by him during the years 1914 and 1915 to any of the banks and trust companies of the District of Columbia calling for reports from their directors on the subject of

the number of shares of stock held by them unhypothecated during their directorship. This request may, of course, exclude Riggs National Bank, as such requests sent to the Riggs National Bank are already part of the record.

As to that request, Mr. Chairman and gentlemen, I should explain that permanent records of requests made upon directors of the national banks in regard to the qualification shares held by them are not kept. Several thousands of letters of that kind are sent out each year, I am informed by the deputy commissioner, who is present, and that the custom is that when questions are raised as to any director having the shares in his name, or having his—or when his stock is found to be hypothecated—that form letters are sent out calling attention to the apparent error or lack of necessary qualifying shares in the director's name, and a memorandum is then made in one of the divisions of the bureau and retained on the desk of that division until the reply is received, or until the matter is cleared up; that's when the matter is attended to, the memorandum is destroyed, and no permanent records are kept. As far as this point is concerned, though, it would be perfectly agreeable to me to have the witness assume that none of the other national—that none of the other directors of national banks in the District were found to have had all of their shares hypothecated during this period, or during the period that was mentioned. That is entirely immaterial to me.

We did find that one or more of the directors of the Riggs National Bank had made incorrect statements in regard to their holdings, and the matter was taken up and remedied. I think there were two or three cases of irregularity, one director claiming that he had a great deal more stock than he really owned and another director claiming that he held stock unpledged and unhypothecated, and during the whole period it was pledged and hypothecated. As far as I know there were no other similar cases to that in the District. If there were no similar cases the purpose was, after such letters were written, they were put on notice in regard to the Riggs, because of the discovery of the irregularities, and when we did discover it we wrote to the other directors, as well as the directors who were found to be acting unlawfully as directors.

Memorandum from Deputy Commissioner Fowler, dated the 5th, says:

Referring to your inquiry on the subject, you are advised that it is not the general practice of this office to keep a permanent record relative to disqualification of directors of national banks resulting from the hypothecation of their stock, and it would therefore be impossible to furnish copies of letters written banks in the District of Columbia on this subject during the years 1914 and 1915 as requested.

The CHAIRMAN. You may put these communications in the record without reading them.

Mr. WILLIAMS. All right, sir.

The CHAIRMAN. Because we are encroaching on Mr. Hogan's time.

Mr. WILLIAMS. Now, Mr. Chairman, I wish to state that you can readily perceive from the size of this volume that it involved a great deal of labor, the preparation of these condensed statements.

The CHAIRMAN. I may say the committee has no further use for these.

Mr. WILLIAMS. I want to say this, these statements can be verified by these reports, and I would like to say that as this was prepared

between the time we left the office yesterday and 2 o'clock last night, I would like to have the examiners in here for an hour and check up these a little and see that they are complete before they are published in the official record.

Senator NEWBERRY. You can take the reports away.

The CHAIRMAN. Yes; you can take the originals away, Mr. Williams, we do not want to be responsible for them.

Mr. WILLIAMS. Mr. Chairman, I think that that completes the list of information called for, and it will now be up to the witness to prove his extraordinary statement as to what he will be able to accomplish with this information before him.

The CHAIRMAN. Well, Mr. Hogan will not have very much time to examine these documents, you have just introduced, Mr. Williams, but if he wants further time, why the committee, I think, will be inclined to give it to him. Possibly he does not want any further time. We shall be as fair to him as we want to be fair to you in these matters.

Mr. HOGAN. Will the chairman permit the record to show that Mr. Hogan will ask no further time?

The CHAIRMAN. Is that all, Mr. Williams?

Mr. WILLIAMS. One moment, Mr. Chairman. Before I sit down I would like to refer to a statement which was made yesterday in this committee in regard to an attempt—an alleged attempt—made by some thief in the Treasury to sell confidential information belonging to the comptroller to the Riggs Bank. The attorney for the Riggs Bank made that statement. I understood him to say at the same time that he did not know who the thief was. I do not believe there is any more—I think I may be permitted to say that I question whether there is any more authority for that statement than for many other misstatements that were made in this record; but I would like the witness, the attorney for the Riggs Bank, to ascertain and inform your committee who that dishonest person was. It seems to me it is a very grave offense which has been committed against the United States Government. If the Riggs National Bank was aware that there was in the Treasury, in a confidential position, a thief who was trying to sell the records to it, there is no reason to believe that the thief would not sell records to anyone else, or steal bonds, or anything else.

The CHAIRMAN. This committee will not go any further with that record. If you want to deal with that you will have to deal with it outside of this committee.

Mr. HOGAN. Senators, when last July I was privileged to appear before this committee you will remember, certainly those who are here this morning will particularly remember, that toward the conclusion of my statement I produced a letter, circulated throughout this country by Comptroller Williams, attacking Senator Weeks. I produced another letter circulated throughout this country by Mr. Williams attacking Mr. Wade H. Cooper, and I said, in substance, that I would be next, and that my appearance here would result in similar conduct I confidently predicted. The prediction has been fulfilled.

This committee gave to Mr. Williams, with infinite patience, an opportunity to denounce his opponents and exploit his virtues without limit. After that had been done, and after Mr. Williams had

announced that he was entirely through, he, on July 26, 1919, addressed a long letter to the chairman of the committee, which in part 10 of the report of these hearings, was published by the chairman's direction; subsequent to that time, and while the committee was in recess, Mr. Williams pretended to write a letter to the chairman of this committee. I say pretended, because an examination of the document shows that its real purpose is to enable the comptroller to circulate libelous propaganda under privileged form. That letter is dated August 12, 1919; in its original form it consisted of 20 printed pages; but that was not sufficient, he is never through, so he added addenda which made the document as a whole consist of 24 printed pages, and he had it printed at a private printing house—Charles H. Potter & Co. (Inc.), Washington, D. C. It is a remarkable but characteristic document. It is made conspicuous by some sixty-odd, heavy-typed subheads. It abounds in capitals, and it shrieks with italics. In heavy-faced type the author of this communication, Mr. Williams himself, informs this committee that the charges against him were "recklessly made," and are "all overwhelmingly refuted." The purpose of this document was not to inform the Senate committee of anything, because most of it—certainly 50 or 60 per cent of it—is a rehash of what is already in the record here, but it is part and parcel of the very thing which I told this committee that he who dared to come here, even at your request, would be made the object and subject of, namely, this man's unrestrained, intemperate, libelous characteristics.

Now, Senators, before I take up—because it is necessary to take up—the inconceivable statements contained in that circulated screed with the official Treasury Department seal upon it, so as to give it an official guise, I am going to very briefly present here quotations which I take from the record of the hearings of this committee and which show, pictured and painted by himself, and not by me, the intemperate attitude of the present Comptroller of the Currency, as regards each person who has dared to criticize or oppose him and as regards the majority party in Congress and even this committee. I will give references to these hearings for each of the quotations.

Senator John W. Weeks: Senator Weeks is charged by Mr. Williams with having made "malevolent" efforts to "discredit or injure" the comptroller. He refers to Senator Weeks's "vaunting assertions," that the Senator had received letters criticizing the comptroller's conduct, charges the Senator with making "unjust and invidious attacks," and says he "grossly imposed upon" the Senate committee. (Pt. 4, pp. 382, 383, Senate Hearings.)

Mr. Wade H. Cooper: President of two Washington savings banks, both going concerns, the condition of which concededly has improved under Mr. Cooper's presidency, is thus assailed in this record: "His testimony," says Mr. Williams, "is grossly false"; a statement of his is "a complete falsification," and his charges are "false and generally maliciously so"; he says that Mr. Cooper has made "wanton" and "willful misstatements," and "wanton, willful, and unjustifiable reflections," with a "willful and deliberate intention to injure" Mr. Williams; he describes Mr. Cooper as "a discredited local bank official," who has made "ridiculous and wanton and flagrant statements"; and, returning much later in his alleged testimony to the

subject of Mr. Cooper, he refers to "the falsifications and misstatements deliberately" made by this witness. (Pt. 4, pp. 206, 351, 257, 258, 261, 383, and pt. 6, p. 449, Senate Hearings.)

Mr. E. A. Jones: An attorney from the State of Pennsylvania, Mr. Williams called a maker of "mischievous and false charges," and advises the committee, "I want to denounce Mr. Jones as a contemptible and wanton slander." (Pt. 7, pp. 518, 526.)

Representative Louis T. McFadden: Speaking in this record of this Representative of the State of Pennsylvania, the present Comptroller of the Currency describes the Member of Congress as "a licensed slanderer," an "utterer of viciously false accusations," one guilty of "falsehood and malicious attempts to do injury," who "is far more anxious over his job and pocket than over his character as a man or official"; he charges that Representative McFadden has used his "place in Congress to malign and to endeavor to injure me," and boasts in this record that he has made his letters to the Member of Congress as "stinging as possible," concluding with Mr. McFadden's insinuations "are denounced as absolutely false, and which have all the appearance of having been dictated by intense malice." (Pt. 5, pp. 443, 444, 445, 446.)

Mr. John Poole: President of the Federal National Bank, chairman of the Liberty Loan Committee, treasurer of the Young Men's Christian Association, treasurer for the Potomac Division of the Second Red Cross War Drive, is charged by Comptroller Williams with "using the truth with penurious frugality"; the comptroller says that "Mr. Poole's statements before this committee were a garbled and distorted version of what was said" by Mr. Williams when the latter was denouncing a director of Mr. Poole's bank, because of the comptroller's personal animus toward that director; he says that Mr. Poole is one who made an insinuation "wholly and unwarrantably false," and that Mr. Poole's testimony he has "denounced as a misrepresentation, or distortion, or incorrect statement of what really transpired between us." Again using certain of his overworked expressions, referring to Mr. Poole, he says, "I denounce" another of his statements as made without any justification at all. Regarding a statement of Mr. Poole's as to which Mr. Williams says "I was not present, and know nothing about it," he adds, "Personally, I think it is an infamous slander"; again, about the same matter, which confessedly he had no personal knowledge of, he says, "It was evidently without the slightest justification." (Pt. 6, pp. 467, 473, 477, 481, 487.)

Mr. Frank P. Bennet: Editor of the United States Investor, is charged with using his publication for "not only obvious propaganda, but ignorant propaganda." (P. 23, letter to Senator McLean, Aug. 12, 1919.)

Mr. George Griswold Hill: Formerly Washington correspondent of the New York Tribune and more recently connected with the London Times and the Boston Transcript, the comptroller testified published a statement "in the Boston Transcript some months ago which was full of falsifications and incorrect statements," and as one who made, regarding Mr. Williams, of course, "manifestly untrue statements" and "false statements." He says that Mr. Hill in another newspaper published a "series of vicious and slanderous ar-

ticles," and he charges Mr. Hill with being the publisher of "a tissue of falsehoods from start to finish," whose work is "discreditable to its author," and whose statements constitute "outrageous slander," and are "vindictive," "slanderous," and "misleading." (Pt. 7, pp. 538, 578, 583.)

Mr. Milton E. Ailes: This gentleman's honorable life story I shall have occasion to hereafter briefly refer to. Comptroller Williams, testifying before this committee, refers to him as "this individual," stating that on "criticism from that particular source" he forbears further comment, although he shortly thereafter again refers to Mr. Ailes as one who "put out a silly story without the least foundation." (Pt. 7, pp. 542, 545, and 566.)

Mr. J. J. Darlington: Dean of the Washington bar, according to Mr. Williams, "was pretty hard up if he had to take up the time of the committee with his statements with regard to the request for an extension of the Riggs Bank charter," and referring to a statement which Mr. Darlington told this committee Gov. Cornwell, of West Virginia, had made, the comptroller says, "Personally I do not believe Mr. Cornwell said it." (Pt. 8, p. 637.)

Officers of the Riggs Bank: As regards these, Mr. Williams says that their statements—which, by the way, were under oath—made to the comptroller were "wholly misleading, untrue, and utterly without foundation"; that these officers "equivocated, dodged, and avoided a frank and proper reply"; that they were guilty of "twisting, and turning, and side-stepping, and ducking, and dodging." He deliberately, despite a public trial, a prompt verdict, and a dismissal upon that verdict of the charges against three of the Riggs Bank officers in a Federal court, comes before this committee and tells it—mark you, I am using his words—that the affidavit made by Mr. Glover and the Messrs. Flather in the equity case is a "perjured affidavit." (Pt. 8, pp. 592, 594; pt. 9, p. 657; and pt. 8, p. 595.)

Editorials criticizing him are described by Mr. Williams as editorials "viciously attacking me." (Pt. 7, p. 578.)

Unidentified newspaper men, who apparently have sent their newspapers press stories regarding Comptroller Williams which were not commendatory, the comptroller tells the Senate committee, are evidently "cheap and obscure hangers-on in journalism who assailed me." (Letter of Aug. 12, p. 21.)

The majority party in Congress is made the object of this slurring reference by Mr. Williams:

Judging from the reports of proceedings in the present House thus far there is a readiness to take up everything in the way of an investigation of the present administration that may be suggested. (Pt. 5, p. 445.)

And this honorable committee does not entirely escape, for the comptroller berates it for, as he charges, having allowed "the injustice which is done me when irresponsible men, without any evidence whatsoever to support their charges, are permitted to come here in the guise of witnesses and make statements which they know are false." (Pt. 5, p. 449.)

Mr. Hogan: I will not weary you with more than just a very few of the numerous denunciations of me, and only do so that I may not be charged with endeavoring to escape from the company of the calumniated. On two pages of the record Mr. Williams six times uses

the word "false" or the word "untrue" with respect to my statements. About Mr. Hogan you are informed that he has been guilty of making attacks in "a willful and malicious manner"; that "he has misstated and distorted" and stated with "falsity and unfairness" matters in the record, and his statements are described as "untrue," "unfair," "misleading," "disingenuous," "loose," "maliciously untrue," "obviously false," "wholly unwarranted and untrue," "unfair and misleading in the extreme," "obviously fictitious and untrue," "willfully and knowingly false," and as being "a willful perversion of the truth." Mr. Hogan is described to the committee as a "rapid-fire falsifier" or a "contestant in a competition in which Ananias is second," and a "person whose purpose has been to swamp the record with a conglomeration of distortions and untruths." (Pt. 6, p. 473; pt. 7, pp. 538, 545, 547, 565, 567, 569; pt. 7, pp. 581, 585, 587, 592, 594, 607, 616; pt. 10, pp. 708, Senate Hearings.)

It has been said that John Skelton Williams is temperamentally unfit to hold an office of the quasi official character of Comptroller of the Currency. In view of the exhibition of himself by himself before this committee, is not that a mild statement of an obvious fact?

Senators, it would almost seem that the unrestrained and intemperate attacks on every citizen who either here or elsewhere had dared to criticize this public official indulged in by Mr. Williams before this committee had sufficiently broken through the bounds of propriety and decency, without the necessity of his having subsequently, in his letter dated August 12, 1919, which I have already described to the committee, stooped to an attempt by insinuation to besmirch the memory of the dead. Because of the reference which Mr. Williams saw fit in that letter to make to the late lamented R. Ross Perry, I ask you to bear with me while I tell you just a little about Mr. Perry.

R. Ross Perry had reached the age of 70 years. For a quarter of a century he was a leader of the Washington bar and was associated with most that was best in our community life. Within the last 10 years of his life he was one of three indisputable leaders of the bar. Words can not adequately describe the purity of his personal and professional character. As a lawyer and a man he was a paragon of honor; his professional standards were worthy of, and were pointed out for, emulation by the younger members of the bar; his personal honesty and high code of morals constituted an example by which the most scrupulous could well be guided.

He was that sort of lawyer whose professional record was followed by those who wanted to reach the very pinnacle of that honorable profession; and in his personal life there was no tinge of criticism, nothing as regards which he would have sought to escape full publicity. If you want to contemplate an almost perfect man and the very best picture of the most honorable of lawyers, all you have to do is to contemplate the life story of R. Ross Perry. I said that he had attained the age of 70 years. About three years before his death he became the victim of an incurable malady. He suffered from a progressive bladder and prostate gland trouble; but at that time he had obligated himself to appear as trial counsel in what was known in local court procedure as the Hutchins will case. Over two years passed after he had undertaken that obligation before he was called upon to fulfill it, and then his physical condition was such he should

never have gone into court, but his sense of obligation was such that he did. It turned out that Mr. Perry thereby became a participant in the most protracted and the most gruelling civil contest ever fought in our courts; five months elapsed from the day the jury was sworn until its verdict was rendered, and Mr. Perry left the trial table physically a broken man.

That was in April, 1915. Shortly thereafter he had an unfortunate accident which resulted in the breaking of one of his legs. He became convinced that he was destined to be a cripple during the remainder of his life. He mentally protested, after so vigorous and useful a life, becoming a useless invalid and a care to others in his old age. And so, in July, 1915, he ended his life, and thus in the eternal sleep found relief from physical suffering, and a refuge from the fear of a crippled old age. Mr. Perry had been for many years a director of, and senior counsel for, the Riggs National Bank.

Senators, that briefly and inadequately is a picture of R. Ross Perry's real character, and the true narrative of the cause of his demise. The public press, announcing his tragic death, stated the facts which led to it, so that no man in this community could have ascribed to Mr. Perry's act any other reason. There was in his connection with the Riggs Bank no matter under investigation or subject to criticism.

And yet, John Skelton Williams sends to this committee this document, dated August 12, 1919, in which he says (p. 14):

Of the 18 men who were directors of the Riggs National Bank in December of 1914, when the investigation began, 5 are dead. One a director, who was also the senior counsel of the bank, died under peculiarly tragic circumstances during the investigation.

The innuendo is unescapable; the insinuation is as false as it is vile. The man who desperately seeks at your hands his confirmation in a high public office, not content with slandering the living, ghoul-like invades the sanctity of the tomb and defames the honored and honorable dead.

Now, I ask the distinguished Members of the United States Senate, regardless of party, to pass judgment upon the man who will make that sort of thing part of his propaganda.

The "perjury" case: The next thing I call your attention to, Senators, is the "perjury" case.

First, to present clearly to your minds the known flimsy character of that persecution;

Second, to show you by demonstration that it started with and was conducted by the comptroller and those associated with him; and

Third, to show you by contemporaneous evidence that the charge that I made here that the officers of the Riggs Bank could have avoided indictment if they had resigned, was not only true, but was published under the very eye of the comptroller at the time of the indictment.

First. We will be aided in seeing the unjustifiable character of this now infamous prosecution by considering who were the men subjected to it. Mr. Charles C. Glover is in his seventy-second year. He is the grand old man of Washington. Since the death of the lamented Crosby Noyes he has been concededly the first citizen of the Nation's Capital. Even after he passes over into the land

from which no man returneth there will stand in this community the monuments to his splendid life. It has been frequently seriously suggested that Potomac Park, that playground of the people, now so easily accessible to all, should properly be known as "Glover Park," because of his ceaseless efforts to have it established. He was foremost among those who brought about the establishment of Rock Creek Park, now a thing of national pride. The Aldrich-Vreeland currency law was due to Mr. Glover's untiring efforts, more than even to the men who voted for it, and one of your own colleagues on this committee, Senator Owen, and another colleague in your body, Senator Underwood, can testify how he threw aside the persecution under which he and his bank were, in August, 1914, and labored incessantly with them to make more elastic and to expand emergency currency, which saved us from a panic.

Of Mr. William J. Flather all I need say is that all his life has been spent in this community; that he entered the Riggs Bank as a boy, and is there to-day; and that before his eyes he can ever carry the testimony of a now dead ex-President to his life character.

Mr. Henry H. Flather started in the Riggs Bank cleaning its floors and mounted step by step to the position of cashier.

All men knew these things before these men were indicted.

What was the indictment for? It was based on an affidavit signed by Messrs. Glover, Flather, and Flather, and filed in the equity suit of the Riggs Bank against the comptroller on May 20, 1915; that affidavit is set forth in full on page 10 of the communication of August 12, 1919, addressed by Mr. Williams to the chairman of this committee. By it the affiants stated that the Riggs National Bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co., and that the Riggs National Bank never at any time made a short sale of stock to or through Lewis Johnson & Co. In May, 1915, almost immediately after the affidavit in question was presented to the equity court, a question arose as to a possible misinterpretation of its language, that there might be drawn from it the inference that neither the bank nor its officers had ever acted in the capacity of agents or brokers to make purchases of stock for others, and there and then, before any court had passed on the matter, before there could have been possibly any one misled, in open court, the drawer of the affidavit told the court exactly what that affidavit meant and explained away the erroneous inference which might arise from one interpretation of it, to such an extent that the court publicly stated that he knew, and that every body in the District of Columbia knew, that the drawer of that affidavit would not mislead the court. I refer now to the equity proceedings. In order that you might have, and that your colleagues on the floor of the Senate might have, the full purport of this thing, let me say to you that the Assistant Attorney General, at the subsequent criminal court trial, by his questions in substance conceded that if the word "itself" had been in that affidavit there could not have been even a pretext for an indictment; in other words, that where the affidavit stated that the Riggs National Bank had not bought stock, if the affidavit had read that "the Riggs National Bank itself" had not bought stock, there would not have been any indictment.

Excerpts that I produce here from the record in the equity proceedings and the record in the criminal court proceedings are submitted in proof of the statements that I have just made.

On pages 423 and 424, preliminary proceedings in the equity case, after Senator Joseph W. Bailey, of counsel for the bank in that case, had submitted this affidavit—for it was submitted to the court by Senator Bailey—a colloquy arose during the course of which Mr. Untermeyer, of counsel for Mr. Williams and his codefendant, Mr. McAdoo, said to Senator Bailey, "Do you want to withdraw the statement of this affidavit, too?" Whereupon, in open court, in the widest publicity, the following occurred:

Mr. HOGAN. I think, in fairness to Senator Bailey, it ought to be stated that I drew that affidavit, and I drew it in response to hearsay evidence from books we know nothing about, and, with great deference and in response to Mr. Untermeyer's suggestion, I say that every word in that affidavit is proper. It is submitted for such consideration as it deserves from the court, and like any other piece of evidence it will be considered only so far as the court feels it is proper. But upon my responsibility, not only to the bank but as an officer of this court, I drew that affidavit, and I stand by it, and I think every part of it should be considered if there is to be considered the hearsay entries in a book which we never saw and which were bundled in here in the way presented to your honor yesterday. * * * But your honor will give to those entries and to this affidavit only such weight as you think they are creditably entitled to, and when Mr. Untermeyer asks me if I want to withdraw it, I want the record to show, first, that the Senator did not draw the affidavit; second, that I drew it; third, that I furnished the information to my clients on which they made that statement on information and belief; and, lastly, that I stand by it. Mr. Untermeyer will not misunderstand that. (Vol. 2, Riggs Bank case, pp. 423-424.)

That was May 20, 1915, four months before the indictment was procured.

The very next day after that, in the equity preliminary proceedings, there was presented by Mr. Untermeyer, what is now known and what is already in the record here as the Lammond affidavit, and on that date, May 21, 1915, in open court, with respect to the Glover-Flather affidavit, on pages 547 and 548 of the equity record, you will find this:

The COURT. It may be that the Riggs National Bank had not a particle of interest in the ultimate outcome of a single transaction that was shown on Lewis Johnson & Co.'s books. I do not know. But I gathered from that affidavit that it was intended to convey to the court that if an account in the name of the Riggs Bank stood on the books of Lewis Johnson & Co., the bank did not know that to be the fact.

Mr. HOGAN. That is not what it says, and I now take this opportunity to correct that impression, because what it says, or what it intended to say and what it intended to convey, by inference from the language used was this, that if it shows, or if it purported or intended to show, that the Riggs National Bank had made this character of sales and there were any entries that could be so characterized, then those entries were false.

The COURT. Then the affidavit should have stated what it is that is on the books of Lewis Johnson & Co.; that there is an account in the name of the Riggs National Bank, but it was for other purposes than the profit of the Riggs National Bank.

Mr. HOGAN. I thought that was the inference carried from it, and I wish to say to your honor now that that was the inference intended to be carried from it.

The COURT. I have this much confidence in you, Mr. Hogan, to say for publication that I do not believe you for a minute would undertake to mislead this court.

Mr. UNTERMEYER. Nor do we believe we intimated it.

The COURT. Nobody in the District of Columbia would say Mr. Hogan would undertake to mislead the court.

Mr. UNTERMEYER. Your honor did not understand me as implying it?

The COURT. Oh, no; not at all.

I did not read that, Senators, as any certificate of character for myself; I read it to show you that in May, 1915, when every effort had been made by the Comptroller of the Currency, even to the extent of having gotten permission from the Department of Justice to employ, before this equity suit was ever brought or contemplated, Louis D. Brandeis, of Boston, as his counsel in Riggs Bank matters—when every effort had been made to get something that could tie an indictment against Riggs Bank officers on—as a last resort, and only futile hope, flimsy as it was, they used this affidavit, concerning which, four months before in open court the possibility that the judge might be misled by a misinterpretation of language, had not only been explicitly avoided, but the court had publicly acquitted the one who had used the language in the affidavit that was made the subject of the subsequent pretended prosecution, of ever having thought of misleading the court; and Mr. Untermeyer, who appeared before you here, disclaimed even the desire to intimate it.

Mr. Chairman, when I last appeared before this committee, you yourself asked that there be put into the record the dates, without putting the articles in, so as not to encumber the record, of press articles published in Washington newspapers around the time when I testified that it was generally reported an indictment was contemplated. May 17 to May 22, 1915, were the dates when the equity suit preliminary hearing was conducted in Mr. Justice McCoy's court. May 28, 1915, the Washington Herald published the fact that an indictment of the Riggs officers was rumored. May 28, 1915, the Washington Times published the fact that the district attorney had issued subpoenas to the members of the firm of Lewis Johnson & Co. for the production in his office of the books and records of that firm in John Doe proceedings; and May 29, 1915, the Washington Times published an article, clearly indicating that it came from official sources, which gave verbatim copies of the Glover-Flather affidavit, and the counteraffidavit of Lammond.

With these dates in mind, and the further fact that the indictment was not procured until October 1, 1915, may I now call your attention to a thing which I think worthy of putting into the record in full. Mr. J. J. Darlington never had any connection with the Riggs Bank or its officers until 1916. Mr. William G. Johnson, another very eminent leading attorney here, also never had any connection prior to the criminal proceedings in the fall of 1915, and subsequently, with the Riggs National Bank, or any of its officers, in his capacity as an attorney. When the newspaper stated that there was contemplated an attempt to indict the bank officers on the affidavit already described, I selected Mr. Darlington and Mr. Johnson as typical leading lawyers, having no connection with the matter in any way, and submitted the whole record to them for their opinion as to whether or not there was anything about that affidavit on which to base a charge of perjury; these gentlemen rendered separate opinions in writing. So that there could be no possible excuse for anyone procuring an indictment because of the mere quibble over legal terminology. I caused to be published in the Washington newspapers of May 31, 1915, those opinions; that publication was made when the local papers were publishing reports that indictments would be sought, and when National Bank Examiner Trimble, under Mr. Wil-

liams's direction, was searching for evidence on which to base indictments. Every newspaper in Washington published these opinions of Mr. J. J. Darlington and Mr. William G. Johnson, and the Post, in evident recognition of the weight that the legal eminence of these gentlemen gave their conclusions, published the opinions verbatim. Months before the indictments were procured, therefore, these things were known.

The CHAIRMAN. Have you a copy of the opinions there?

Mr. HOGAN. I have it here in my bag. Would you like it inserted, sir?

The CHAIRMAN. I certainly would.

Mr. HOGAN. I will give it to the reporter, sir.

The CHAIRMAN. Yes; any time.

Mr. HOGAN (addressing reporter). Insert it right there.

[The Washington Post, May 31, 1915.]

DENY FALSE OATH BY RIGGS' OFFICERS.

STOCK DEALS ON PERSONAL ACCOUNT ADMITTED, SAYS COUNSEL—MADE FACTS CLEAR IN COURT.

Reports current during the last week that John E. Laskey, United States attorney for the District, was conducting an inquiry into the stock transactions appearing on the books of the bankrupt firm of Lewis Johnson & Co. in the name of the Riggs National Bank occasioned an explanatory statement from the bank's counsel last night.

BANK'S COUNSEL EXPLAINS.

The statement was prepared by former Senator Bailey and Frank Hogan, and is in effect a restatement of the position of the bank in connection with this matter as presented to Justice McCoy by Mr. Hogan during the hearing recently on the bank's application for an injunction against the Treasury Department officials. However, Messrs. Bailey and Hogan in again presenting their argument last night that the apparent transactions, as shown on the brokerage concern's books, were not transactions of the bank offered the supporting testimony of two prominent members of the local bar, J. J. Darlington and William G. Johnson, each of whom declared that the affidavit to this effect presented in court was not only not subject to prosecution but not open to criticism of any kind.

CITE LEGAL OPINIONS.

The statement of Messrs. Bailey and Hogan, together with the opinions of Messrs. Darlington and Williams, follows:

"Apropos of the publication made in an afternoon paper here yesterday to the effect that the district attorney is conducting an investigation of the stock transactions appearing on the books of Lewis Johnson & Co. in the name of the Riggs National Bank, counsel for the bank made the following statement:

"Since the issues presented by the suit instituted by this bank were submitted to the court, neither the officials nor the counsel of the bank have deemed it proper to issue any statement. The publication of the affidavit submitted to Justice McCoy at the hearing, signed by Charles C. Glover, president; William J. Flather, vice president; and Henry H. Flather, cashier of the bank, together with the affidavit of W. Morris Lammond, formerly book-keeper of Lewis Johnson & Co., makes appropriate the following brief statement:

NOT BANK TRANSACTION.

The Riggs National Bank never bought or sold stock for its own account in connection with Lewis Johnson & Co. For years the officers of the bank, on behalf of individual customers and at times on their own behalf, transacted the purchases and sales of stock through local brokers having New York Stock

Exchange connections, among which was the firm of Lewis Johnson & Co. There was never any concealment about the transactions thus conducted, and, therefore, never any intention, in court or elsewhere, to deny their existence. Year after year national-bank examiners have repeatedly examined the books of the bank, which clearly exhibited the course of these transactions conducted by the bank officials in their individual capacity, in most instances for customers and in some cases for themselves; prior to the pending litigation repeated reports made by the bank to the Comptroller of the Currency informed his office precisely how customers had been accommodated in the making of their investments since the bank's organization. At the hearing before Justice McCoy, Mr. Samuel Untermyer implied that the Riggs National Bank had bought and sold stock for its own account. No such transaction had ever taken place.

To meet that charge the affidavit made by Mr. Glover and the Messrs. Flather was filed. The affidavit did not deny, and was not meant to deny, that there were no transactions between the officers of the bank and the firm of Lewis Johnson & Co., but it did deny the bank itself had dealt in stocks, and counsel for the bank explicitly declared in open court that this was the purpose of the affidavit. There was no possibility of misinterpreting or misunderstanding the affidavit while the court hearing was still in progress and before any decision of the court on any of the issues had been rendered.

In view of rumors, subsequent to the trial, that the affidavit was questioned, and in order that the directors of the bank might be fully informed, Frank J. Hogan, of counsel for the bank, some days ago procured opinions from two of the leaders of the Washington bar, J. J. Darlington and William G. Johnson, each of whom says that the affidavit is not only not the subject of prosecution, but is not open to criticism of any kind.

OPINION BY MR. DARLINGTON.

"The opinions rendered are as follows:

"MAY 26, 1915.

"MY DEAR MR. HOGAN: I have considered as carefully as I could in the short time I could give to the subject to-day your inquiry whether, in my opinion, the allegation in the affidavit of Messrs. Glover, Flather & Flather of May 19, 1915, that the Riggs National Bank "never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.," can form the subject of a successful criminal proceeding.

"The clause of the affidavit in question is open to one or the other of the following constructions:

"(a) That the bank never at any time, on its own account, bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; or

"(b) That the bank never at any time, either on its own account or as agent for other persons, bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.

"A statement that the former of these constructions was that which was intended by the affidavit was made at the time of its presentation to the court and leave obtained to file it, as appears at pages 425-26 of the stenographic record of the hearing—this statement of the sense in which the language was used being made by yourself, the attorney who drew it and by whom it was presented to the affiants.

"It is an elementary principle in both civil and criminal law, and especially in the latter, that words are to be taken in an innocent rather than in an illegal and especially rather than in a criminal sense, where they are open to two constructions. I am of opinion that, on this ground, the clause of the affidavit in question must be taken as referring to transactions by the bank on its own account, and, assuming the statement to be true in that sense, the affidavit not only is not the subject of a successful criminal prosecution, but is not open to just criticism or censure of any kind. The fact that, as stated, its presentation to the court was accompanied by a statement, of record, of the purpose for which and the sense in which it was offered, would be strongly corroborative of this view and should, in my opinion, of itself be decisive of the question.

"Upon each of the principles above stated, I am of opinion that, if the bank never bought or sold stock on its own account from or through the firm of Lewis Johnson & Co., the allegation of the affidavit in that respect is not open to just criticism and certainly not to criminal prosecution.

"The above considerations would apply equally to the succeeding clause of the affidavit, that the bank never at any time made short sales of stock from or through Lewis Johnson & Co.

"That the affidavit was understood by the Government itself, through its counsel, in sense (a), and, therefore, in the sense to which, in my opinion, it is not open to any charge of falsity if the bank did not buy or sell stocks on its own account, is apparent from the following extract from the argument of Mr. Untermeyer, at page 620: "It (the bank) was doing an open stock brokerage business, and it has not denied it and it can not deny it."

"J. J. DARLINGTON."

OPINION OF W. G. JOHNSON.

"MAY 26, 1918.

"I have given very careful consideration to the question of the proper interpretation of the affidavit of Messrs. Charles C. Glover, William J. Flather, and Henry H. Flather, executed May 19, 1915, and filed in equity cause No. 33360, Riggs National Bank v. John Skelton Williams, comptroller, et al.

"I had the benefit of hearing most of the discussion over this affidavit at the time it was offered to the court, and subsequently, when its verity was attempted to be assailed by Mr. Untermeyer, including the observations of the court.

"I have also had the benefit of being present at the full discussion of the matter between you and Mr. Darlington to-day.

"In my opinion, the statement in the affidavit that the Riggs National Bank never bought or sold any stock whatever from or through the firm of Lewis Johnson & Co., and never made a short sale of stock through that firm is insusceptible of extension to a denial of any act except transactions of that nature on its own account for its own benefit, in which it was the owner selling, or became the owner by purchase, in its own corporate right; or was in its own corporate right interested in the avails of a short sale, and that the terms of the affidavit can not be construed as extending to such purchases or sales, if any such were made by it, as the agent or broker of any person or corporations.

BOOK ENTRIES UNIMPORTANT.

"If, as I assume, the statement in the affidavit as thus construed be true, no conviction of false swearing could possibly be based upon it, whatever the bank may have done as agent or broker for others.

"A moment's reflection must convince any lawyer that if the Riggs National or any of its officers had received my money to purchase stock for me from Lewis Johnson & Co., no amount or character of book entries or forms of dealing between them could prevent my showing the true nature of the transactions, that the bank or its officers were my agent and that the stock was my property and not the banks.

"WILLIAM G. JOHNSON."

The CHAIRMAN. Those opinions probably contain a clear statement of the alleged perjury contained in the affidavits!

Mr. HOGAN. Exactly.

The CHAIRMAN. And what the Government claimed the error was, and the opinion of the counsel as to whether it was an indictable offense or not, is what I want to get into the record somewhere.

Mr. HOGAN. I will put them in here, sir.

The CHAIRMAN. Yes.

(The newspaper article and opinion have been inserted in the record above.)

Mr. HOGAN. And that by counsel who though they were subsequently in the criminal case months afterwards were at that time selected; first, because of their eminence; second, because of their ability; third, because of their integrity; and, fourth, because of their absolute impartiality, as they had had no connection with the matter.

Now, as to the evidence of the astounding fact that the absence of the word "itself" was put forth as an excuse for the indictment: In the course of the cross-examination of myself conducted for the prosecution by Assistant Attorney General Fitts during the criminal court trial the following questions were propounded and answers made as shown by the record of the proceedings on that trial, pages 1401-2:

Question. Did you explain to them (the affiants) that the meaning of that affidavit was simply that the bank had not bought and sold stock for itself?

Answer. I did.

Question. Then why did you omit the word "itself" from the affidavit?

Answer. Because I don't consider that it ought to be there. I consider when I say the Riggs National Bank did not buy stock that that has only one meaning. I know the meaning of the word "buy," and it means to acquire title for cash to a thing. The word "sell" means to pass title for cash to a thing as distinguished from "exchange."

Question. That is your explanation of why you did not put the word "itself" in?

Answer. Exactly. I thought it would be mere surplusage. I still think so. Question. Then that affidavit represents your constructive work of what you think a truthful affidavit ought to be?

Answer. Yes; or, taking all these facts together, the conclusion. What those facts present I put in that affidavit.

Question. And you think an affidavit with words that carry its ordinary meaning left out is sufficiently clear?

Answer. I do not think so. I think that the ordinary meaning of those words in that affidavit bear but one construction.

Question. It seems that a difference of opinion has arisen about that.

Answer. Exactly. As I said before, it shows how easy it is to misinterpret a written paper.

So we have from the Government's attorney, in the foregoing, the substantial admission that three citizens of standing were subjected to indictment because of a quibble over whether the word "itself" should have been in an affidavit, so as to make it read "the Riggs National Bank itself did not buy stock," when in fact the affidavit read "the Riggs National Bank did not buy stock," and the further showing that these men were indicted because of a difference of opinion regarding, or misinterpretation of, the wording of a paper filed by counsel in a civil suit. Is it not plain that the indictment resulted because that civil suit had been brought against the Comptroller of the Currency? Is it conceivable that upon such a pretext an indictment would have been procured if the affidavit in question had been filed in a litigation between ordinary individuals?

Comptroller Williams has told you in his testimony here that this is a "perjured affidavit," and takes the position that the defense to it was not that it was true but that it was drawn by counsel and signed by the bank officers under the advise of counsel. The record sufficiently answers this. Early in 1916 when the officers of the Riggs National Bank who had been indicted were earnestly seeking a trial, and were meeting with delays from the Government's representatives, we filed a motion in court for a bill of particulars and for a prompt trial. That motion came on for hearing April 7, 1916, and on page 72 of the record of the criminal court proceedings it will be found that Mr. James B. Archer, assistant district attorney, in the course of his remarks, said:

We have known that there has been a newspaper campaign, natural or inspired, undertaking to show that the swearing to this affidavit, which is the subject of this case, was an accident.

And immediately, in open court, counsel for the defendants said—and this thing was published in every newspaper, so the comptroller must know it—

Mr. HOGAN. If your honor please, the statement has just been made by counsel for the Government, in absolute defiance of the Court of Appeal's opinion rendered in the case of *Fulton v. United States*, just last week, that a newspaper campaign has been carried on—I assume he means by these defendants or their counsel—undertaking to disseminate in this community the idea that the swearing by Mr. Glover and the Messrs. Flather to this affidavit was an accident.

That statement is as utterly untrue as any statement that could possibly fall from the lips of man. There has not only been no attempt to say to this court or to this community that that affidavit was sworn to by accident, but as the judicial records of this court show that I drew that affidavit, I deny and refute the insinuation coming from a sworn officer of the Government that those men or the drafter of the affidavit would stand in any court, or any community, and claim that thing an accident.

As the district attorney sat in this court when Mr. Justice McCoy presided and heard how that affidavit was drawn, his assistant could have no possible warrant for his statement. I say here, now, that no more deliberate act was ever done by human being than the act of the gentlemen who swore to that affidavit, or the act of the member of this bar who drew that affidavit.

That was before the trial, Senators. Was there any dodging, ducking, or side-stepping—if I may use the ring-side parlance of the honorable Comptroller of the Currency—in that statement to the court? I repeat, that statement was publicly made about what, despite an open trial and acquittal of the makers, Mr. Williams here again calls a “perjured affidavit,” and tells you that the makers were acquitted only because I took the responsibility.

I had stated in the equity proceedings that the mere drafting of the affidavit was, of course, hurriedly done. It was hurriedly dictated in the midst of a trial, and it took only a few minutes to dictate it. So, when the trial on the indictment was on, Mr. Assistant Attorney General Fitts, specially assigned to conduct on behalf of the prosecution that remarkable trial, elicited by cross-examining me, while I was on the witness stand for the defense, the following, which is taken from pages 1371, 1372, and 1374 of the record in the criminal proceedings, the questions being by Mr. Fitts, representing the Government, and the answers being by myself:

Cross-Examination by Mr. Fitts:

Question. You say you stand by this affidavit?

Answer. I do.

Question. And that it was prepared by you?

Answer. It was.

Question. You stated here in this court room to Justice McCoy on the hearing on the forenoon of the 21st of May, 1915, that this affidavit had been hurriedly prepared, did you not?

Answer. I did use that expression. In explaining what might be the reason for misunderstanding, I said that in the hurried drafting of the affidavit, the hurried preparation of the affidavit, I might have been unfortunate in conveying the wrong inference.

Question. Do you deny that you stated on that occasion that it had been hurriedly prepared?

Answer. I have already said what I stated, and I stand by it.

Question. What is that?

Answer. That in the hurried drafting of this affidavit I might have used language which conveyed a wrong inference to his honor's mind.

Question. And on the forenoon of April 8, 1916, here in this same court room, you stood here and said, did you not, that no more deliberate act was ever prepared by human hand?

Answer. Exactly, and I said just that to this jury five minutes ago, and repeat it now.

Question. You claim that both of those are true?

Answer. Absolutely true. It took one minute to dictate that. That is a matter of hurry in using language, the act of getting that up was perfectly deliberate. It was the result of a year of gathering facts. * * *

Question. You do not claim, then, that that tells the truth on the face of it?

Answer. Of course it does. I not only claim it, but nobody would dispute it.

You have been told by Mr. Williams, in effect, that the defense was not that the affidavit was true, but the defense was that the defendants could escape because they acted on advice of counsel. Here is the record showing what was said to the jury on the trial, from which you will see that the defense was truth. On page 1374, question by Assistant Attorney General Fitts, answer by myself, referring to the affidavit:

Question. You do not claim, then, that that tells the truth on the face of it?

Answer. Of course it does. I not only claim it, but nobody would dispute it.

On pages 1400-1402 the following testimony was given, the questions being by Mr. Fitts, the answers by myself:

Question. Did you explain to Mr. William J. Flather that affidavit was to be used to meet the situation that had been presented by the Bennett affidavit and its exhibits?

Answer. No, I did not. I explained to him precisely the contrary.

Question. You did?

Answer. I explained to him that that affidavit was to be used to meet what I had understood Mr. Untermeyer's statement to be after recess.

Question. Did you understand that it was necessary to meet, by pleading in a cause, the mere statements of counsel?

Answer. I understood that in that case a statement which carried that inference should be met by that affidavit. At least, I thought it advisable.

Question. And you deny that you prepared that affidavit to meet the Bennett affidavit and its exhibits?

Answer. I absolutely deny it. If I had done that, I would have prepared it before May 17.

Question. You stand by that?

Answer. You bet I do.

Question. And it would take a miracle to change that?

Answer. Yes, it would.

Question. Did you explain to them that the meaning of that affidavit was simply that the bank had not bought and sold stock for itself?

Answer. I did.

Question. Then why did you omit the word "itself" from the affidavit?

Answer. Because I don't consider that it ought to be there. I consider, when I say the Riggs National Bank did not buy stock, that that has only one meaning. I know the meaning of the word "buy." It means to acquire title for cash to a thing. The word "sell" means to part with title, for cash, to a thing, as distinguished from "exchange."

Question. That is your explanation of why you did not put the word "itself" in?

Answer. Exactly. I thought it would be mere surplusage. I still think so.

Question. Then that affidavit represents your constructive work of what you think a truthful affidavit ought to be?

Answer. Yes; or, taking all of these facts together, the conclusion. What those facts present I put in that affidavit.

Question. And you think an affidavit with words that carry its ordinary meaning left out is sufficiently clear?

Answer. I don't think so. I think that the ordinary meaning of those words in that affidavit bear but one construction.

Question. It seems that a difference of opinion has arisen about that.

Answer. Exactly. As I said before, it shows how easy it is to misinterpret a written paper.

On pages 1418-1419 the testimony continues:

Question. At the time you prepared that affidavit for these defendants to sign, did you know that it was the custom of the Riggs National Bank through its officers and employees to enter a credit in the pass book of Lewis Johnson & Co. with the Riggs National Bank upon the receipt at the bank of advices from Lewis Johnson & Co. that the stock had been purchased for the account and risk of that bank?

Answer. I knew that when the bills came in for stock bought, it was the custom to treat that as a deposit and credit Lewis Johnson & Co. I knew just what is shown here in evidence by the United States was the way these transactions were carried on; yes.

Question. You knew that those advices came to the Riggs National Bank advising it that those purchases had been made for its account and risk?

Answer. I knew the form. I had never seen the advices actually addressed to the bank. For several years they had been put on a form, and I knew the wording of that form of advice.

Question. You knew the money was passed to the credit of Lewis Johnson & Co. and was available to them before the stock certificates were actually received at the bank.

Answer. Yes; I knew that accommodation was extended to Lewis Johnson & Co., and incidentally the customers.

Question. And in the face of that you had the defendants swear to what is contained in this affidavit.

Answer. Yes. It was absolutely true. Why shouldn't I?

Question. You still contend it is true?

Answer. No doubt about it in my mind. I never contemplated for a moment that such a preposterous thing as an indictment would be predicated on that affidavit.

Question. Among other things that Mr. William J. Flather asked just before he signed that affidavit that afternoon or evening was whether it would be safe to sign the affidavit, did he not?

Answer. He did not ask me anything of the kind.

Question. Did he not ask you whether it would be perjury to sign it?

Answer. Of course not. If he had I would have told him no, but he did not ask it.

Question. He did not?

Answer. No; he did not. Such a thing was never suggested. As I told you a few moments ago, I did not think it was possible for anybody to suggest that that affidavit was perjury, much less charge it.

The above was the testimony presented to an American jury. The issue was square cut and manfully met. The charge was that the affidavit was false. The defense was that the affidavit was true. The charge fell. The defense was upheld. When I last appeared before this committee I in detail told you how the defendants were acquitted—the vindication and the ovation which was given them. I need not repeat it now.

Have I not now shown you the utterly inexcusable and the pitifully flimsy character of the charge on which the so-called perjury prosecution was founded and the undoubted acquittal of the bank's officers on the merits of the case? What do you think, Senator Henderson—do not express it now, but when you come to pass upon this thing—of the procuring of an indictment on a charge of perjury based upon the question of the construction of language in a legal document, used in a civil suit, drawn by counsel in that suit, and signed by clients under counsel's advice, and explained immediately when there was some question raised about its construction? Is it not too plain for argument that such an indictment was based on the personal animus of the Government official whose hostility dictated the desire to use the power of the Government, of which he was a part, against the men indicted?

When Mr. Darlington made his statement to this committee, which will be found in part 2, pages 163-170 of these hearings, Senator Henderson asked him whether or not at the time the bank's officers were demanding a trial of the perjury charge against him and were meeting with opposition in getting it the local court dockets were crowded. They were. They have always been. But there were two criminal courts at that time, and one of them was hearing civil cases. For months after this indictment was procured—for the defendants were not able to obtain a trial for more than seven months after the indictment was filed—municipal court appeal cases and things of that sort were being heard in criminal court No. 2; the law designates two branches of our court as criminal courts; when criminal cases are not being tried in what is known as criminal court No. 2 that court is used as a sort of "waste basket" for miscellaneous matters, and it was hearing these petty civil cases when we were incessantly knocking at the door for a trial. It took less than one day before the grand jury to procure the indictment; it took seven months for the prosecuting officers to consent to a trial under the indictment; it took the Government more than two weeks to present on the trial the evidence on which it relied to support the indictment thus expeditiously obtained and thus so slowly brought to trial.

The overwhelming force of the acquittal of the Riggs Bank's officers is attempted to be lessened by Mr. Williams in his already referred to communication to the chairman of this committee, dated August 12, 1919, in which he charges that counsel for Mr. Flather had refused to permit him to "incriminate" himself and also that documentary evidence which would have established the guilt of the bank's officers had been destroyed. I shall not appropriately characterize either of these charges here. I shall be content to allow the facts to speak for themselves.

On May 28, 1915, a few days after the close of the preliminary arguments in the equity case, while that case was pending, and while the newspapers carried reports of a threatened criminal prosecution, Mr. Williams brought from Chicago National Bank Examiner Sherill Smith; he was not satisfied with the progress being made by the local bank examiner, Mr. James Trimble; as I have already said, this Mr. Smith was supposed to be keen as a cross-examiner; so Mr. Williams brought this Chicago examiner here, and sent him into the Riggs Bank, and he put the officers under oath and started to ask those officers to turn over to Mr. Williams, first, the evidence that we were going to use in our equity suit; and, second, the papers pertaining to the Lewis Johnson & Co. transactions upon which they hoped to predicate an indictment. As a lawyer for the bank, having charge of the pending litigation, and as counsel for the bank's officers, who by rumor were thus threatened, I told Mr. Smith that anything he wanted with regard to the affairs, the condition, of the bank, of course he was entitled to; but that he could not go in there and get out of us the evidence in our defense in these cases unless I could have from an appropriate Government officer assurance that it was not to be used as evidence in any case.

Now, Senator Henderson—of course, I do not expect you to answer now—but you are a lawyer, you have had experience in my profession—would you, or any other decent lawyer charged with

cases of that kind at that time, have done anything else? Mark you, I did not use a word about incriminating himself; there is not a word in my statement, which you will find quoted on pages 3 to 5 of this pretended letter from the comptroller to the chairman of this committee, dated August 12, 1919, in which I told Mr. Flather or anybody else that he should not answer on the ground he might incriminate himself; not the slightest suggestion of that from me, but the statement that unless and until we were assured they were not simply trying to dive into our papers for evidence in these cases, I was not going to permit him to answer. That is all.

Yesterday you were told by Mr. Williams that I could not show one single statement ever made by him that was not absolutely true. I turn directly to pages 12 and 13 of this letter of his of August 12, 1919. When I last appeared before this committee I showed that in March, 1915, the Riggs Bank had received a letter from the comptroller asking it to report what bank records had been destroyed, and directing the bank not to destroy any records; and then I read from the sworn statement of the bank's officers, in which they informed the comptroller that no bank records had been destroyed, and no bank records would be destroyed.

By reference to pages 11 to 13 of the Williams August 12, 1919, communication you will find a black-face type heading, of Comptroller Williams's composition, reading:

Bank destroys incriminating evidence, though Hogan falsely declares to Senate committee bank had never done so.

Really, Senators, I can not characterize that statement without using what I will not use here, a short and ugly word.

On May 28, 1915, after we had completed the preliminary arguments in the equity case, before that case was at issue, and after in open court we had said to the court that the case was going to be tried on its merits, at which time all of the evidence to substantiate the bank's charges would be produced, and after the local newspapers had indicated that an attempt was going to be made to indict Riggs Bank officers—in that situation, with a civil case pending and a criminal case threatened, Mr. Williams sent to the Riggs Bank Mr. James Trimble, national bank examiner, and Mr. Sherrill Smith, national bank examiner, with a corps of assistant bank examiners, to get the papers relating to stock transactions with Lewis Johnson & Co., as a preliminary to the then threatened indictment, which, as I have already shown you, was then a matter of local press report. When these emissaries of Mr. Williams arrived at the bank the bank's officers were summoned into the board room, put under oath, and there occurred what Mr. Williams has set out on pages 12 and 13 of his August 12, 1919, letter, as follow:

MR. HOGAN. Mr. Flather, Mr. Smith wants to know if there is any book kept in the bank, or any books kept in the bank, in which there were entered a record of any of the transactions of purchases of stock or anything else with Lewis Johnson & Co.?

MR. W. J. FLATHER. Let me understand this, just what the question is?

MR. HOGAN. Are there books, or did the bank keep any books, in which they entered the transactions—did the bank or its officers or anybody connected with it keep any books in which were kept a record of the purchases of stock which you made?

MR. W. J. FLATHER. We have an order book there. Is that what you refer to? EXAMINER SMITH. That would contain orders and sales?

Mr. W. J. FLATHER. That would contain orders and sales.
Examiner SMITH. Orders and sales?

Mr. W. J. FLATHER. Yes; purchases and sales.

Examiner SMITH. That book has been kept all—

Mr. W. J. FLATHER (interrupting). I do not know how long it was kept.

Mr. HOGAN. It will show for itself.

Examiner SMITH. He said there is a book, and I was going to ask if there was one or several?

Mr. W. J. FLATHER. There is a book in which the orders for the purchase and sale of stocks and bonds have been entered. Is that what you want to know?

Mr. HOGAN. Yes; there is such a book?

Mr. W. J. FLATHER. Yes; there is such a book.

Mr. HOGAN. Are there more than one of that kind?

Mr. W. J. FLATHER. Yes; I think there are. I think there are two books, are there not?

Mr. GLOVER. I don't know.

Examiner SMITH. That is, two books, or probably three? I mean a book like that has been kept continually for the purpose of recording purchases and sales or orders, as you call them?

Mr. W. J. FLATHER. Yes; which have been kept. I can not say that that is a complete book, Mr. Smith.

Mr. HOGAN. It that all you have?

Mr. W. J. FLATHER. It is all we have.

Examiner SMITH. How about—I will address this remark generally, because I do not know—or I can ask each separately. How about the confirmation slips of purchases and sales sent to the bank by Lewis Johnson & Co.? Are those filed?

Mr. W. J. FLATHER. Filed, you say?

Examiner SMITH. Yes.

Mr. W. J. FLATHER. There may be some of them in the office, Mr. Smith, but I do not know that they were filed. They were frequently put on the spindle, as other orders for drafts and the like of that. There may be some of them in the office. I do not know.

Examiner SMITH. Do you mean—

Mr. W. J. FLATHER (interrupting). They were not kept off any time.

Examiner SMITH. Not kept at all, you mean?

Mr. W. J. FLATHER. No; they were not considered of any value.

Examiner SMITH. Were they just—

Mr. W. J. FLATHER (interrupting). They were put on the spindle and, from time to time, like other waste paper, they were thrown away.

Examiner SMITH. They were never permanently filed?

Mr. W. J. FLATHER. No.

Examiner SMITH. So there is no complete file of them?

Mr. W. J. FLATHER. No, sir.

Examiner SMITH. You usually handled these transactions, didn't you, Mr. H. H. Flather, with Lewis Johnson & Co.?

Mr. H. H. FLATHER. Well, do you mean by giving the orders or receiving—

Examiner SMITH (interrupting). Yes; giving the orders and receiving the checks or the notices.

Mr. H. H. FLATHER. I gave a good many of the orders.

Having thus quoted, Mr. Williams said:

This furnishes only cumulative evidence of Mr. Hogans' complete disregard of truth. The record shows that the purchases and sales notices which were sent to the bank and which the bank destroyed were in the name of the Riggs National Bank and addressed to the bank as such. The purchases had been made by Lewis Johnson & Co. for the bank and credited by the bank on the passbook of Lewis Johnson & Co., and the brokerage firm paid the bank by check for the proceeds of the sales of the stock as sold.

On page 118 we find the following statement was made before your committee by Mr. Hogan on July 10, 1919:

"MR. HOGAN'S FALSE AND SWEEPING DENIAL.

"I want to say, while I am looking for this, that during the entire existence of the Riggs National Bank none of its records were ever destroyed. No one

had ever intimated that any of its records had been or would be destroyed. There was never any reason for destroying its records."

Mr. Hogan's foregoing statement is proved by the testimony of the bank officials quoted above to have been untrue—and was knowingly false—for Mr. Hogan had been present in May, 1915, when the officers of the bank excused themselves from producing those notices reporting the purchases and sales of stocks on the ground that they had been destroyed—in fact, Mr. Hogan had prompted or directed these officers in their replies during their examination.

Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customers of the bank.

The last paragraph I have just read is all italicized.

Senators, first, those papers were not destroyed; second, John Skelton Williams knew they were not destroyed; third, those papers were, within a few days after Mr. Flather made the above-quoted statement, found to have been kept in the basement of the Riggs Bank; fourth, from May 1915, to October, 1915, those very papers which Comptroller Williams here, with almost inconceivable falsity, tells you were destroyed in order to conceal "incriminating evidence," were almost daily in the possession of and under the examination of National Bank Examiner Trimble and his assistants, working under the immediate personal direction of and reporting daily to John Skelton Williams; fifth, those papers were produced in open court by the counsel for the bank in the criminal trial for alleged perjury, and day after day, one by one, the Lewis Johnson & Co. notices of sales and purchases and bills covering purchases of stocks were publicly handed to the district attorney when he called for the same to be used in evidence. A table in the open courtroom was covered with papers that Mr. Williams now says had prior to that time been destroyed in order to suppress "incriminating evidence." I produce here and exhibit to you more than a thousand of those very papers, and I hand each of you, Senators, for personal examination, examples of these papers. The local newspapers, during the criminal court proceedings, commented on the fact that it appeared at times that Mr. Hogan, of counsel for the defense, was assisting the district attorney, so promptly were papers furnished.

Senator HENDERSON. Are those the papers referred to in that statement just read?

Mr. HOGAN. Yes; precisely; not only, Senator Henderson, not only were they produced in court, but Mr. James Trimble, national bank examiner, who has been in this room during these hearings, between May, 1915, and October, 1915, examined in the board room of the Riggs National Bank every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble, or one of his assistants, which number corresponds with the number placed by Mr. Trimble, or one of his assistants, on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transactions. Mr. Trimble, reporting daily to the comptroller, spending months with his assistants going through every one of these papers, not only found them, but marked them, may I show you, Senator Henderson, the little mark on them? Those little marks there, the green marks were put there by one of the bank examiners, not by us. That there may be no possibility, however, that Mr. Williams did

not know that these advice slips were not thrown away, as Mr. W. J. Flather, without opportunity to examine into the matter, had apparently thought they were when he answered Bank Examiner Smith on May 28, 1915, I invite your attention to the further fact that in May, 1916, the United States district attorney—mark you, this was a year after Mr. Williams says these documents had been destroyed, and had been destroyed because they were “incriminating evidence”—issued a subpoena to Mr. Ailes, vice president of the Riggs Bank, calling upon him to bring into court these very papers, which subpoena expressly specified them, and, of course, the only way the district attorney could have specified them was by using the information regarding their possession by the bank, which information the comptroller’s office gave to the district attorney, through Mr. James Trimble, who in this matter was the alter ego of John Skelton Williams.

Moreover, as I will now show you, Mr. James Trimble went on the witness stand in behalf of the prosecution in the criminal court case and testified that a few days after Mr. Flather, speaking from memory, had said that these things were put on a spindle and thrown away after they had served their purpose—just as Mr. Williams told you this morning that in his office memoranda about the oaths of bank directors were destroyed—Mr. Trimble, I repeat, went on the witness stand and testified that these notices of purchases and sales had been found in the basement of the bank, did not have spindle holes in them, and that he judged there were about 1,500 of such notices. I quote the testimony of Mr. Trimble, pages 1059–1061 of the record of the criminal court proceedings:

JAMES TRIMBLE called as a witness on behalf of the United States, being first duly sworn, testified as follows:

By Mr. ARCHER:

Question. What is your full name?

Answer. James Trimble.

Question. What is your business?

Answer. I am at present a national-bank examiner.

Question. How long have you been a bank examiner?

Answer. Since about the middle of March, 1914.

* * * * *

Question. Mr. Trimble, are you acquainted with the defendants, Messrs. Glover and Flather?

Answer. I am.

Question. I will ask you whether there came a time when you were called at the bank and talked to either of those gentlemen with reference to the advices and bills of Lewis Johnson & Co. Just answer that, yes or no.

Answer. Yes; there was.

Question. When was it?

Answer. It was about the first week in June. I can not state positively the exact date.

Question. What year?

Answer. 1915.

* * * * *

Question. What was your conversation with him relative to advices and bills?

Answer. I asked all of these officers for the advices and bills that had come from Lewis Johnson & Co.

Question. What did they say?

Answer. They said that the advices and bills had been used as memoranda only and had been placed upon the spindle until the transactions were completed; and then, having no value that they were put into the wastebasket or destroyed—or at least they did not have them in the bank.

Question. Did there come a time after that when you found the advices or came across any advices or bills?

Answer. I had been in there about two weeks, 10 days or two weeks, and one evening, about 5.30 o'clock I had gone down in the basement, started toward the washroom, had been in the washroom prepared to leave the bank, having finished my work for that day, and I saw rather back of the stairway, in the basement, a table with quite a lot of papers on it, stacked up in different piles. I went over to where this man was apparently sorting these papers, found him to be a confidential man of the bank whom I afterwards learned to know as Mr. Williams—Mr. Cass Williams, I think it was. I glanced at the papers and noticed that some were bills and some were advices.

Question. Advices and bills from whom?

Answer. From Lewis Johnson & Co.

Question. How many of them?

Answer. I judged at the time there were about 1,500 in the two lots, two or three lots that were uppermost on the table. By actual count it developed that there were 681 bills and 793 advices, which myself and my assistant initialed at that time and numbered.

The cross-examination, which begins on page 1061 of this record, was conducted by me. So far as it relates to the foregoing it carries the explanation that by the term "confidential man of the bank," Mr. Trimble simply meant a man who was a teller, assistant teller, cashier, vice president, any man of that kind by reason of his position, he would term a confidential man in the bank, but that was all he meant by that phrase, he frankly says. He also testified on cross-examination that in a number of cases, a good many cases, he was able to locate advices, but that he was unable to distinguish from memory while testifying the advices from bills, or say in what instances he was unable to check up these papers with ledger records of the transactions.

On redirect examination he showed that by examination of these papers it was evident that they were not the papers referred to as having been put on spindles, as none of them had spindle holes in them. I quote (p. 1066 criminal court record) :

Question. How about those—

Lewis Johnson & Co. advices and bills—

you did find?

Answer. I noticed carefully, having been told that they were placed upon the spindle for temporary use only, and then destroyed—I noticed carefully when they first came into my sight whether or not there were any spindle holes, and at that time there was not any indication of a spindle hole on any deposit ticket or advice that I found on that table.

Question. How about bills? You said deposit tickets.

Answer. On the bills or advices, the 681 or 793.

Senator HENDERSON. I hold here a sheet of paper, at the head of which is "Lewis Johnson & Co., bankers," dated Washington, D. C., January 16, 1911. What does that mark "E" refer to, with a check after it?

Mr. HOGAN. Which one do you mean?

Senator HENDERSON. That top one—looks like an "E."

Mr. HOGAN. This here? [Indicating.]

Senator HENDERSON. Yes.

Mr. HOGAN. I do not know.

Senator HENDERSON. Do you understand what the other mark is? What is the 2450?

Mr. HOGAN. The 2450 is Mr. Trimble's notation, the national bank examiner's mark on them. It means this: Mr. Trimble had a tran-

script from the Johnson Co.'s books, kept in the name of the Riggs National Bank, and he gave numbers to each transaction, and then he gave corresponding numbers, merely as a key, to every advice and every bill he found; and not only this package, but several packages of these papers, which I exhibit to you here, were brought into court, spread on a table, and day after day such as were called for by the Government were put in evidence without any objection from us, but with our assistance. This, you understand, was subsequent to the time when Mr. Flather had made the statement, obviously by mistake, to the effect that he did not know where these notices from the brokers were and that they were probably thrown away, like waste paper, as useless after they had served their purpose. We found, in fact, that they had not been, and every one of these papers—oh, some might have been missing—which, in italics, Mr. Williams tells this committee were destroyed, because if produced they would show incriminating evidence, was not only produced, which would be sufficiently important in itself, but every one of them was for months in the hands of the comptroller, through his national bank examiner, working up this perjury case. Here they are for you.

Moreover, every one of these confirmation slips of purchases and sales sent to the bank by Lewis Johnson & Co. was later press copied in the brokers' office, and these letterpress copy books were in the hands of the Government's representatives and were used in court at the trial, so that whenever the original of the transaction about which evidence was being offered could not be identified, the letterpress copy was available, and was used. How, then, is it possible to truthfully say that "incriminating evidence," which would have established any one's guilt, had been destroyed and was not available?

The CHAIRMAN. Is there any complaint of record at that time that these papers were defaced in any way or any of them destroyed?

Mr. HOGAN. Not the slightest. Now, I will tell you what Mr. Flather had reference to: When a person came in and desired stock to be purchased, Mr. Flather, or whoever saw the customer, would make a memorandum and put it on the spindle, and when the thing was made a book entry, those pencil memoranda were not kept; they were thrown away from time to time after they were closed transactions.

The CHAIRMAN. Was there any complaint entered that these records were not a complete record of the items on the spindle?

Mr. HOGAN. Not a single one. There were entries in the Johnson Co.'s books; entries in the order book; entries in the Flather & Flather commission account; entries in the bank's books whenever it was a bank customer; entries on the Johnson & Co.'s bank deposit books, when they got credit for the purchase price of the stock. By reference to page 12 of the August 12, 1919, letter from Mr. Flather advised National Bank Examiner Smith that "we have an order book there," meaning in the bank, which contained a record of the orders of purchases and sales.

Now, the point is this, that in what we must believe was a deliberately and carefully prepared communication, wherein he not

only libels me—and that is not important, because I am honored by libel from that source—the comptroller tells this Senate committee that these things were destroyed, and calls your attention to the “extremely suggestive fact” that these notices which the bank’s officers say were destroyed would have incriminated one of them, when in truth and in fact he knew that they were not destroyed—that they were not only not destroyed, but every one of them was found in the cellar of the bank where they had been piled up. They ran back several years. This large package is only a sample. You can see for yourselves—I am holding here a package of large envelopes that mounts several inches high—they were produced in court on the trial that resulted in Mr. Flather’s prompt acquittal; every one of them bears the mark of James Trimble, national bank examiner, acting under the direction of the comptroller, who, in the criminal court case, testified that, after Mr. W. J. Flather had erroneously said these papers had been thrown away, he found them in the bank and found a clerk assorting them. These packages I here exhibit to you contain part of the papers that Mr. Williams says were destroyed, and which, he charges, would have established the guilt of Mr. H. H. Flather if they had been produced. In view of the fact that letter press copy books of every paper to which the comptroller thus refers were in existence, and were under the examination of his examiners, and were in the hands of the United States district attorney, how was it possible for him to honestly insinuate that documents which would have aided in establishing the guilt of Mr. H. H. Flather were not at hand?

Senator HENDERSON. You have shown us three papers from that package. Are the others here all similar?

Mr. HOGAN. Yes, sir; I will show you a thousand.

Senator HENDERSON. And are those the complete records of Lewis Johnson & Co. in regard to those sales?

Mr. HOGAN. Yes. Let me qualify that in this way: There were a very few instances where the advices and bills both could not be found, but there were very few instances where there was not either an advice or bill, and there was no instance in which there was not the advice or bill and a letter press copy of both, and all of the originals found were produced by the bank’s counsel in court for the use of the Government in the criminal proceeding, and the Government’s counsel had there the letter press copies of all of them.

Senator HENDERSON. As I understand it, he claims certain records were destroyed, and you have produced these to show they were not?

Mr. HOGAN. Yes.

Senator HENDERSON. Were there any records at all destroyed?

Mr. HOGAN. None. Put that as strong as you can. Borrow Williams’s italics for it. Get his shrieking capitals. Put in the record upon my word as a member of your own profession and a citizen of your country: None.

Senator HENDERSON. Now, one other question. You referred to Mr. Flather there; at one period of this investigation it came out he had resigned?

Mr. HOGAN. Yes.

Senator HENDERSON. Will you explain, if you can, the reason for the resignation?

Mr. HOGAN. Yes. I had that in another place, but I will be glad to bring it out here.

Senator HENDERSON. You need not bring it up if you had it in another place. Now, a moment ago, Mr. Hogan, you referred to my name in connection with what I would do in regard to furnishing testimony for use against my client in a criminal case. Did Mr. Smith, at the time he asked those questions, ask for any information that he was not entitled to as a bank examiner?

Mr. HOGAN. Yes, Senator; he did not ask for any information that he was entitled to; and I said to him—I will show you what I said to him to be perfectly clear on that: The comptroller has a right, either by calling for reports or by sending in examiners, to obtain information that will give him a complete knowledge—I quote the statute—of “the condition of the bank.” Now, what Mr. Smith was asking for was not anything which in any way, by the widest stretch of the most insane imagination, could have reflected upon the condition of Riggs Bank on May 28, 1915, the date when he propounded his questions; and here is what I said to him:

Mr. HOGAN. Mr. Smith, I shall decline to allow Mr. Flather to answer any questions pertaining to the Bennett affidavit, or any of the items therein contained. I take the position, as one of the counsel for this bank and as Mr. Flather's personal counsel, that they have no relation to the condition of this bank, as that term is used in section 5240 of the Revised Statutes of the United States; and I will have to be absolutely convinced, first, that this is an attempt to examine into the condition of this bank for the purpose of ascertaining its condition; and, second, I will have to have assurance from proper authority of the United States Government that any information Mr. Flather gives with respect to that would be given with full immunity that it would never be used in any sort of proceedings in any court hereafter. Until that assurance is given by the authorities having the right to give it, Mr. Flather will not answer any questions about the Bennett affidavit.

Examiner SMITH. Then he declines to answer on the ground he might incriminate himself?

Mr. HOGAN. You heard what I said, and I have nothing to add to that.

(See pages 4 and 5, Aug. 12, 1919, letter of Comptroller Williams to the chairman of this committee.)

So much, Senator, was it manifest to Mr. Smith himself that he was not inquiring into matters within an examiner's rights as pertaining to the condition of the bank, that Mr. Smith stalled and gurgled and choked himself when administering the oath to the bank's officers; listen to this expression. He says—

Senator HENDERSON. What are you reading from now?

Mr. HOGAN. I am reading now from pages 3 and 4 of the comptroller's August 12, 1919, letter to the chairman.

Senator HENDERSON. All right.

Mr. HOGAN. Bank Examiner Smith said he was going to put Mr. Flather under oath, and then there occurred this, on pages 3 and 4 of that letter:

Mr. HOGAN. As a bank examiner you have a right to put Mr. Flather under oath. As Mr. Flather's attorney, I shall advise him not to answer.

Examiner SMITH. Certainly. Mr. Flather, do you solemnly swear that the answers which you make to question propounded to you in the examination of the affairs shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FLATHER. I beg your pardon. You said “Examination of the affairs”—of what?

Examiner SMITH. Of the Riggs National Bank.

Mr. H. H. FLATHER. I do.

Before that time, and subsequent to that time, whenever a bank examiner sought information regarding the condition of the bank, without let or hindrance, it was placed at his disposal. But it must be perfectly obvious that on this occasion Mr. Williams was using his bank examiners for evidence upon which to procure an indictment.

Second, the connection of the comptroller with the perjury prosecution:

Mr. Williams has evinced the deepest anxiety to be freed from any connection whatever with the flimsy perjury charge, an attempt obviously commendable now, but utterly futile when we turn to the record of that case and find who worked up the charge. I have told you that the man who worked up this case was the comptroller, through the instrumentality of his bank examiners and assistants to bank examiners.

When Bank Examiners Sherrill Smith and James Trimble came into the bank on May 28, 1915, as the already quoted questions propounded by Mr. Smith clearly show, the only thing sought was data regarding the Lewis Johnson & Co. transactions, with reference to which the disputed affidavit alone was made, and out of which alone grew the indictment. Aside from purely formal witnesses, the witnesses who appeared before the grand jury when the indictment was procured were National Bank Examiner James Trimble, National Bank Examiner Sherrill Smith, Assistant National Bank Examiner Donoghue, and Mr. Lammond, subsequently appointed assistant national bank examiner, all but the latter working in this matter under the immediate personal supervision and direction of John Skelton Williams. And when the charge made by the indictment came on for trial Mr. James Trimble testified, on oath, as respects his activities in connection with the data for this criminal charge, as follows (record of criminal court proceedings, pp. 1061, 1063, 1065):

Cross-examination by Mr. HOGAN:

Question. From May 28, 1915, until September 22, 1915, you were almost daily in the Riggs National Bank?

Answer. Yes, sir.

Question. During that time your assistant, Mr. Donoghue, who sits back here, and your other assistant, Mr. Valvrina—was that his name?

Answer. Mr. Valvrina was not with me very much.

Question. He was there quite a long time during that period, was he not?

Answer. But not as much as Mr. Donoghue.

Question. I did not say he was there as much as Mr. Donoghue. I said he was there a good deal, with you, during the summer of 1915?

Answer. Yes; frequently, but not with me all the time.

Question. No; but Mr. Donoghue was there with you all the time?

Answer. Practically so.

Question. Where was Mr. Sherrill Smith?

That was never answered. It was vigorously objected to by the Government's counsel, and the objection sustained. I turn to page 1065 of that record. [Reading:]

Question. You endeavored, did you not, to trace down each one of the transactions that you found on the accounts of Lewis Johnson & Co. in the name of the Riggs National Bank?

Answer. We endeavored to trace them from their inception to the end.

Now, Senators, the only purpose of having national-bank examiners and their assistants spending, as thus testified to by one of

them on oath, from May 28, 1915, to September 22, 1915, in the Riggs National Bank, tracing "from their inception to the end" the Lewis Johnson & Co. transactions, and marking these 1,500-odd bills and advices, which I have produced to you here this morning, was to gain evidence upon which to found an indictment, and the only use ever made by the comptroller, or his examiners or anybody connected with the Government, of the labor of these national-bank examiners and their assistants, working under the direction of Mr. Williams, was that made in the perjury case. No other reason can possibly be given why these members of Mr. Williams's staff were delving so minutely into the Lewis Johnson & Co. transactions, and I repeat, no other use was made of that work and the data collected by it; when the perjury case collapsed—a thing which was a foregone conclusion—the papers, which the bank examiners had been checking up and marking from May to September, 1915, were of no further use to Mr. Williams or his emissaries, and those not used as evidence exhibits at the trial were returned to the Riggs Bank. During that entire period, from spring to fall in 1915, these bank examiners, who were thus daily constantly in Riggs Bank, made no examination into the condition of the bank; they did not count its cash, verify its notes, check up its current books; they confined themselves exclusively to working up data to be used first to found an indictment on; and, secondly, as evidence to support that indictment after it was procured, and these bank examiners daily reported to Mr. Williams their progress and periodically reported to the prosecuting district attorney.

On this same subject of the direct connection of this malicious persecution of these bank officers on that flimsy perjury charge, I am regretfully brought to call attention to one thing which involves a question of veracity between Mr. James Trimble and myself, and to an affidavit which I will present on the question of Mr. Trimble's statement heretofore made to this committee. Yesterday I requested that if Mr. Trimble cared to do so, Mr. Chairman, he make a statement as regards any Sunday conference, and I afterwards broadened it to include any court conference, he had on the subject of the indictment, or on charges against the Riggs officers; and I was not at all surprised when Mr. Trimble said he had never had a conference with the Attorney General or even when he added he had none with any Assistant Attorney General; but when I ask him, with your permission, whether that extended to the district attorney in connection with this thing, I must say I was somewhat startled by what I understood to be his denial, because my activities during 1915 and 1916 kept me at the courthouse a great deal, and I am very safe in saying that between May and October, 1915, I saw Mr. James Trimble, and I could not possibly be mistaken in recognizing him, at and in the vicinity of the district attorney's office, not less than a dozen times prior to the indictment.

I present, without any comment of my own, the following affidavit, which is given—sent here for my use here this morning—by Mr. Roscoe J. C. Dorsey. [Reading:]

I, Roscoe J. C. Dorsey, voluntarily make the following affidavit in the interest of truth:

I was a duly appointed and commissioned national-bank examiner for approximately seven years, prior to which time for a period of approximately one

additional year I had been making bank examinations under a general letter of instructions. Recently I was dismissed by Comptroller Williams, and at another time I shall seek to make the events leading up to that dismissal the subject of appropriate investigation. I make this affidavit simply with reference to the following event:

Mr. James Trimble, national-bank examiner, on duty in the District of Columbia, in the fall of 1917, was exceedingly wrought up against Comptroller Williams because the latter had directed him to make an apology to certain directors of the Commercial National Bank at Washington, D. C., for having in a critical manner referred to said directors; and at that time, while smarting under what he called this apparent humiliation, Mr. Trimble said to me in substance the following:

That he had always endeavored to observe Sunday, and during the course of the so-called Riggs Bank controversy he said Comptroller Williams telephoned him one Sunday and requested him to call at the Department of Justice for a conference; that the comptroller expressed his regret at disturbing Mr. Trimble on Sunday; that he, Mr. Trimble, responded to the comptroller's call; the latter at the conference showed that he was not pleased at the fact that Mr. Trimble had not found anything against the Riggs Bank officers, and Mr. Trimble said to me the comptroller emphatically told Examiner Trimble, referring to the Riggs Bank officers, that "We must get them; we must get something on them."

Mr. Trimble was so obviously worked up in his resentment toward Mr. Williams at the time of this conversation that I inferred from his statement that he contemplated informing those interested in the Riggs controversy of this instance, and I undertook to endeavor to placate Mr. Trimble and to advise him to "cool off," and not to jeopardize his position by the course he apparently contemplated.

ROSCOE J. C. DORSEY.

Subscribed and sworn to before me this 5th day of September, A. D. 1919.

[SEAL.]

CHARLES RAY DEAN,
Notary Public, District of Columbia.

The CHAIRMAN. Where is Mr. Dorsey now?

Mr. HOGAN. Mr. Dorsey is in the city now, and this was made before a notary public in this city this morning.

The CHAIRMAN. Can you give the stenographer his address?

Mr. HOGAN. I don't know it, sir. I will give it to him, sir.

Mr. TRIMBLE. Mr. Chairman, may I be allowed a word as to a misunderstanding of the question asked?

The CHAIRMAN. Certainly.

Mr. TRIMBLE. And that was that I never visited the Attorney General's office in my life, and that I never visited the district attorney or any assistant district attorney on Sunday. My understanding of the question was that he was asking about a Sunday visit. Of course, as it has appeared in this testimony, I had visited Mr. Laskey's office I don't know how often, but I had, in the performance of my official duty, visited Mr. Laskey's office, but never any district attorney or any assistant district attorney or Attorney General on Sunday. I would like to make that statement.

Mr. HOGAN. Mr. Chairman, when I appeared before your committee before—

Mr. TRIMBLE (interrupting). And if you will allow me?

Mr. HOGAN. Certainly; yes.

Mr. TRIMBLE. If you will allow me, I would like the opportunity of denying the truth of the affidavit.

The CHAIRMAN. Oh, you will have an opportunity to do that.

Mr. HOGAN. Mr. Chairman, when District Attorney Laskey was testifying here, in an obvious attempt to assist Comptroller Williams in showing that the latter had no responsibility for the criminal

prosecution, you asked Mr. Laskey whether it was not true that the National Bank Examiners had been witnesses before the grand jury, and in answering affirmatively Mr. Laskey told you that so were Mr. Milton E. Ailes, vice president of the Riggs Bank, and Miss Sheehy, of Mr. Hogan's office. How disingenuous such an answer was is apparent when I tell you that Miss Sheehy did not spend 90 seconds in the grand jury room, and her entire testimony was the identifying of her signature, as a notary public, and that of Mr. Glover and the Messrs. Flather, on the disputed affidavit. As to Mr. Ailes, as a witness before the grand jury he was simply utilized as a messenger boy, called to produce these various papers from the bank's files and books before the grand jury, and when he attempted to give testimony to the grand jury which would have shown the perfectly innocent inferences to be drawn from the papers, he was shut up and dismissed from the room. Mr. Laskey might have told you that the clerk of the equity court was also a witness, he identifying the stamp of the court clerk's office showing the date on which the disputed affidavit was filed in the equity proceedings. On that subject—

The CHAIRMAN (interrupting). Before we leave that subject now, was there any claim that the little records of these stock transactions that were put on the spindles were not all transferred to the records you have introduced here?

Mr. HOGAN. No, sir; there was no such claim. On the contrary, Senator, the showing was that there was a permanent record made of every one of them.

The CHAIRMAN. That was not disputed?

Mr. HOGAN. That was not disputed at all, sir; and more than that, Senator, whenever there was one of these advices or slips that could not be located, as to any particular transaction, we would take the copy from Lewis Johnson & Co.'s records and concede it.

I started to say that the late lamented E. V. Murphy, chief of the official stenographic force of the Senate, was a director of Riggs National Bank at the time of his death, and had been since 1916; and it was on the date of his funeral that Mr. Laskey's testimony before this committee seems to have been brought to Mr. Ailes's attention. I put into the record a letter from Mr. Ailes, dated Washington, D. C., July 21, 1919, addressed to me. I will not bother to read it. It invites attention to what Mr. Ailes was permitted to testify and prevented from testifying before the grand jury, and to the fact that when he endeavored to give evidence to the grand jury, which when presented at the trial resulted in the prompt acquittal of the bank's officers, showing that the transactions involved were not bank transactions at all, District Attorney Laskey choked Mr. Ailes off.

(The letter referred to is as follows:)

THE RIGGS NATIONAL BANK OF WASHINGTON, DISTRICT OF COLUMBIA,
Washington, D. C., July 21, 1919.

MR. FRANK J. HOGAN,
Room 811 Colorado Building, Washington, D. C.

DEAR FRANK: I am hurrying this morning to represent the bank, at Mr. E. V. Murphy's funeral, and am writing you this hasty memorandum for fear you may be called before the Senate committee before I have an opportunity of talking with you.

I wish to call your attention particularly to the testimony of Mr. John E. Laskey, in which he attempted to exonerate Williams from the charge of having obtained indictments for perjury against the Riggs Bank's officials. In the course of Mr. Laskey's testimony, which I presume you have, he stated, in answer to a question of the chairman, Milton E. Alles being one of the witnesses before the grand jury. What I want you to impress on your mind is that Milton Alles appeared before that grand jury with records of the Riggs Bank, under subpoena, and identified these records as desired by the district attorney, but when Mr. Alles undertook to show the grand jury that the purchases and sales in those records were not for account of the bank, but for account of customers of the bank, Mr. Laskey choked Mr. Alles off and by his action suppressed the information which, if in the possession of the grand jury and fully understood, would have made it impossible to indict the Riggs Bank officials.

Very truly, yours,

M. E. ALLES.

Third, the proposition that the Riggs Bank officers could avoid indictments by resigning from the bank.

Mr. Samuel Untermeyer has appeared before you and admitted that in the Shoreham Hotel he had a conversation with Mr. William Nelson Cromwell and myself after the preliminary arguments in the Riggs equity case and prior to the bringing of the indictment; also, he admitted that there was discussed at that time the Riggs Bank affair; that he denied that there had been made by him, who was at that time counsel of record in a Federal court for John Skelton Williams, a suggestion of immunity from indictment if the Riggs Bank officers would resign. And Mr. Williams has testified to you, and I use the substance, not the precise language, that he never heard that proposition intimated even until he heard me tell it to you in July, 1919, when I appeared before this committee.

Now, let me make it clear that what I have to say is without any disrespect to Mr. Untermeyer—we have very pleasant relations as attorneys on opposite sides and sometimes as attorneys on the same side of questions—first, Mr. Cromwell and myself were in the Shoreham Hotel having luncheon when Mr. Untermeyer and some other gentlemen came in. The meeting was, as Mr. Untermeyer says, casual. Mr. Untermeyer says after luncheon Mr. Cromwell and myself—again I am using the substance—approached him on the subject. Mr. Untermeyer's recollection is faulty. We had completed our luncheon, had bowed to him, had left the dining room of the Shoreham Hotel, and Mr. Untermeyer came out to the adjoining room when he had not yet finished his luncheon, and approached us on the subject.

Secondly, Mr. Untermeyer tells you that he contemplated going to California in the summer of 1915. He did, and that is precisely what he told Mr. Cromwell and myself, that he had made his arrangements to go to California, but that so anxious was he to settle up this entire controversy that if the proposition which he suggested to us would be considered he would come back to Washington again, even if he had to defer the date of his departure for California.

Third, Mr. Untermeyer explained that he came to the Shoreham Hotel that day, although he was stopping, as I believe, at the Willard, because he had been that morning at the Treasury Department and had been later at the Department of Justice, and the Shoreham was on his way from the Department of Justice down town again. These are things to show how this conversation came about. Mr.

Untermeyer has testified here that at the time of his conversation the equity case was ended, an inadvertently erroneous statement, but taking his view of that, then there certainly was nothing to discuss about the equity case.

Mr. Glover was out of town when I last appeared here before you, and is still out of town, and so the record of the hearings here was sent to him, and I requested his recollection on this subject, and I now submit to you a letter written from York Harbor, Me., July 26, 1919:

YORK HARBOR, ME., July 26, 1919.

FRANK J. HOGAN, Esq.,
Colorado Building, Washington, D. C.

DEAR MR. HOGAN: I have read the statement made by you before the Senate Committee on Banking and Currency to the effect that, subsequent to the hearing in May, 1915, before Justice McCoy, of motions made by both sides in the equity suit brought by the Riggs National Bank against Comptroller Williams and others, and after there were rumors and newspaper publications indicating that an indictment against myself, Mr. William J. Flather, and Mr. Henry H. Flather was contemplated; that Mr. William Nelson Cromwell and you were told by Mr. Samuel Untermeyer, one of the counsel for Comptroller Williams, that if "Charles C. Glover, William J. Flather, Milton E. Ailes, and Henry H. Flather would resign their offices in the Riggs National Bank," there would be no indictments.

I have your request to be informed what, if any, recollection I have on this subject.

I have not exact dates before me here, but recall that the hearing in the equity suit occurred in May, 1915. Two or three days after the close of the equity suit, a member of the board of directors of the Riggs National Bank informed me, in the presence of Senator Bailey, Mr. Milton E. Ailes, you, and others, that he had been advised that Secretary McAdoo and Comptroller Williams were endeavoring to have the Attorney General direct indictments based on the affidavit made by the Messrs. Flather and myself and filed during the equity hearing.

One of the directors of the bank called at the office of the Attorney General, where, in substance, this information was confirmed. Very shortly after that the Washington newspapers contained publications to the effect that the bringing of indictments was under consideration. Within a few weeks, at the latest, after the argument in the equity case had been concluded, a special committee of our board of directors was appointed, and Mr. William Nelson Cromwell was engaged as attorney for that committee. Mr. Cromwell was retained in order that the committee might have the benefit or advice of counsel theretofore entirely disconnected with the bank and the pending litigation. Not very long after Mr. Cromwell arrived in Washington, a meeting was held one afternoon in your office, at which you, Mr. Cromwell, Mr. Milton Ailes, and myself were present. I am not sure whether Mr. Dulaney, a member of the directors' special committee, was present, but you will probably recollect whether or not he was. From Mr. Cromwell and yourself we learned at that meeting that on that day you had had a conversation with Mr. Samuel Untermeyer, and Mr. Cromwell stated that Mr. Untermeyer proposed that all talk of indictments would be dropped if I, together with Mr. Ailes and both the Flathers, would resign from the bank. I recall that either Mr. Cromwell or yourself stated that Mr. Untermeyer had deprecated the idea of indictments, but insisted that Mr. Williams was immovable on the subject of either the resignations of the officers or the indictment of the three who had signed the affidavit.

On several occasions after the episode above referred to you will recall that there was brought in one way or another to us the proposition that we could have immunity from the indictments or further trouble from the comptroller if the officers of the bank would resign. Indeed, this was repeated a number of times between May, 1915, when the rumors first attracted public attention, and October, 1915, when the indictments were procured.

I recall very vividly the scorn with which I refused to even consider the proposition which Mr. Cromwell and yourself reported Mr. Untermeyer had made, and I have many times recalled the characteristic manner in which you

denounced it. There is not the slightest doubt but that Mr. Cromwell and yourself reported at that time to Mr. Ailes and me the offer substantially as you testified to the Senate committee it was made.

With kind personal regards, I am,

Yours, sincerely,

CHAS. C. GLOVER.

Senator HENDERSON. The date of that?

Mr. HOGAN. The date of that is, sir, York Harbor, Me., July 26, 1919. I will read now a letter from Mr. Milton E. Ailes addressed to me:

RIGGS NATIONAL BANK,
Washington, D. C., July 28, 1919.

Mr. FRANK J. HOGAN,
Washington, D. C.

DEAR MR. HOGAN: Replying to your request for a statement of my recollection as to a conversation you had with Mr. Samuel Untermeyer, to the effect that every principal officer of the Riggs National Bank resign, after which there would be no indictment of any of them, I write to say that the matter is very vividly in my recollection. It came as a great shock, following so closely the closing of the arguments in our equity case against the Comptroller of the Currency and the Secretary of the Treasury. I recall particularly that my friend, Mr. Frank A. Vanderlip, then president of the National City Bank, of New York, was in Washington at the time, and I immediately communicated the news to him at the Shoreham Hotel that Messrs. Cromwell and Hogan had reported that Mr. Untermeyer had informed them that the only way for my associates, Mr. Charles C. Glover, president of the Riggs National Bank; Mr. William J. Flather, vice president; and Mr. Henry H. Flather, cashier, to avoid indictment was to resign their positions with the bank, and that at the same time, as a further condition, my resignation as vice president of the bank was also required, although I had not signed the disputed affidavit.

Mr. Cromwell and yourself informed us that Mr. Untermeyer expressed the opinion that the indictment of the officers would greatly impair, if it did not actually ruin, the bank.

The strain of the long persecution of the bank by the Comptroller of the Currency reached its climax that day when I realized that every agency of the Government was to be utilized in an effort to ruin the bank and its officers, and I am sure Mr. Vanderlip will recall that when I communicated this new move to him I broke down, and was greatly comforted by his warm-hearted and devoted assurances of friendship and support.

There is, in my judgment, absolutely no mistake in what you have declared Mr. Untermeyer to have outlined to Mr. Cromwell and yourself. It dovetails with many other movements in the same direction, namely, efforts to bring about the elimination of the officers of the bank in order to appease Comptroller Williams.

I was not present at the interview between Mr. Untermeyer, Mr. Cromwell, and yourself, but the report of Messrs. Cromwell and yourself to Mr. Glover was in effect, though, of course, I can not say it is precisely in words what you told the Senate committee the proposition was.

As stated above, I did not sign the disputed affidavit, but that was only because I had not been an officer of the bank during its entire existence as a national bank; I knew then and know now that the affidavit was absolutely true.

Yours, very truly,

M. E. AILES, Vice President.

When we seek for the history of past events, whether we be attorneys or historians, we look to the contemporary writings of the time, and if we find in those certain facts or confirmatory data, we take it for granted that those things must have occurred, or at least they are evidence of their occurrence, so I wish to call your attention just to an extract, because it is too long to read all of it, and the whole of it is not important to the question, from a letter written by Milton E. Ailes in 1916 to that grand old man of American finance, Mr. Lyman J. Gage, then in California:

(The letter referred to by Mr. Hogan is as follows:)

[Extract from p. 239, letter-press copy book of M. E. Alles.]

WASHINGTON, February 21, 1916.

HON. LYMAN J. GAGE,

Care of Cuyamaca Club, San Diego, Calif.

DEAR MR. GAGE: I have your letter of the 15th instant, inquiring whether the comptroller has ceased his persecution of this bank, or whether he continues his annoying and insulting demands, and whether his crusade against us has been deleterious to the bank as relates to its deposits and general ability to make money.

The annoyance to which we had been subjected for more than a year almost daily ceased about October 1 last, when three of our officers were indicted for perjury. Along about July 1 last, demands were made for the resignation of the officers of the bank in lieu of these indictments. Of course, such demands were made very carefully and in a roundabout way, but nevertheless emphatically; and the officers involved eventually by the same channels notified the comptroller and the Secretary of the Treasury that they would not resign, but would take the indictments instead.

* * * * *

Now, as to your inquiry whether the bank has been injured or not, I am glad to write that our deposits have not been affected. They are close to the \$10,000,000 mark now, and the bank has been making money; in fact, the quarter ended December 31 last was the best in the history of the bank. Our earnings were seriously invaded in the two preceding quarters, due to the fact that we kept about \$2,000,000 idle for the purpose of making the bank strong. * * *

Faithfully, yours,

M. E. ALLES.

The CHAIRMAN. Well, Mr. Hogan, suppose we suspend until 2 o'clock.

Mr. HOGAN. May I have just a minute to complete this?

The CHAIRMAN. Certainly.

Mr. HOGAN. Mr. Untermeyer told you he had absolutely no connection, and the inference was no knowledge of, this perjury matter, and that his connection in fact as attorney in the equity case was ended, although the case was not even at issue yet. Well, on September 24, 1915, there appeared in the Washington Herald, published in this city (the indictment was not brought until October 1, 1915), an article quoting Mr. Samuel Untermeyer, and I ask that the entire article be inserted in the record.

(The article referred to is as follows:)

[The Washington Herald, Sept. 24, 1915.]

RIGGS OFFICIALS MAY FACE PERJURY CHARGE—SAMUEL UNTERMEYER EXPECTS INDICTMENTS AGAINST C. C. GLOVER AND W. J. AND H. H. FLATHER.

The indictment for perjury of Charles C. Glover, William J. Flather, and Henry H. Flather, respectively president, vice president, and cashier of the Riggs National Bank, is considered highly probably following the proceedings before the grand jury Wednesday.

Samuel Untermeyer, of counsel for the Government in the injunction suit of the Riggs Bank against Secretary McAdoo, Comptroller of the Currency Williams, and United States Treasurer Burke, yesterday declared his belief that an indictment will be returned.

Apparently those who speak for the bank are of the same belief, pointing out that the grand jury proceeding is purely an ex parte proceeding, from which counsel for the bank necessarily was barred, and that it is reasonable to expect that the grand jury will find the cause presented by the Government worthy of trial by the Federal courts.

Mr. Untermeyer was in Washington for a few hours yesterday to attend a conference at the Treasury Department of the joint high commission appointed to deal with Latin-American finance.

"I believe that the grand jury will find a true bill against the officers of the bank," he declared to a representative of the Washington Herald.

"On what grounds?" he was asked.

"On the grounds of perjury," he replied. "I think the affidavit signed by three officers of the bank and submitted in evidence denying that the bank had engaged in stock speculation is a clear case of perjury."

"But the bank explained that these transactions did not involve the bank, but only individuals acting as agents for clients of the bank; that the funds of the bank were not involved at all."

"In my original charge," returned Mr. Untermeyer, "I did not claim that the funds of the bank were used. I stated, as you may recall, that the Riggs was a brokerage office within a bank."

Mr. Untermeyer declared that he had nothing to do with the criminal proceedings, but that he would resume his connection with the case when the trial of the injunction suit is resumed before Justice McCoy.

Mr. HOGAN. Now, that newspaper interview, undenied even though it be, might not in itself be important if I did not accompany it with this letter, dated July 29, 1919, by which it is verified:

WASHINGTON, D. C., July 29, 1919.

MR. FRANK J. HOGAN,
Washington, D. C.

MY DEAR MR. HOGAN: As a representative of the Washington Herald, on September 23, 1915, I interviewed Mr. Samuel Untermeyer; the report of the interview as published in the Herald on September 24, 1915, under the caption "Riggs officials to face perjury charge," was written by me and is correct.

Yours, very truly,

JOSEPH P. ANNIN.

I am ready to suspend now until 2 o'clock.

The CHAIRMAN. Two o'clock.

(Whereupon, at 4 minutes to 12 o'clock, the hearing was adjourned until the afternoon at 2 o'clock.)

AFTERNOON SESSION.

The committee reconvened, pursuant to the taking of the recess, at 2.04 o'clock p. m.

STATEMENT OF MR. FRANK J. HOGAN—Resumed.

Mr. HOGAN. When the recess was taken I was discussing the subject of the proposition that Riggs Bank officers trade resignations for indictments. You will remember—I used the substance, and again do not pretend to use the exact words—that Mr. Williams informed you that he never heard the subject intimated until he heard me state it to this committee when I appeared here as a witness. Senators, I assume that you have seen enough of the tireless energy with which Mr. Williams has grabbed hold of everything on the subject of Riggs Bank to know that he did not overlook anything that was conspicuous. On October 2, 1915, the leading press story in the Washington Post, published here in Washington, was that which on the first page appeared under the caption "Indicts Riggs heads on perjury charge." In that article, under a separate subhead, is found the following:

WANTED CASHIER TO QUIT.

In this connection there have been many rumors afloat, and one of these was that the Treasury officials were quite willing to have all of the proceedings

against the bank dropped should certain of the bank officials resign from their positions. It was said that Mr. Flather, the cashier, was one of the officials whose resignations were sought.

Now, I forbear to comment on the statement of the comptroller in which he told you he never heard that thing intimated, when it was thus a matter of conspicuous local publication at the very time the thing was going on.

Before leaving this subject of the alleged perjury case, let me say to you, because I want it clear, and I do not want any mistake about it, that one would characterize as amusing, if it were not serious, the statements contained in this record that Mr. Untermeyer's services as counsel for Mr. Williams and Mr. McAdoo absolutely ended before the indictment of the bank's officers, because, as it has been said before this committee, the equity case was over and finished, and, therefore, there was no possibility of any representative capacity on Mr. Untermeyer's part when he had his conversation in June or July, 1915, with Mr. Cromwell and myself. Senators, the equity suit was not over. It was not even at issue. Mr. Untermeyer had stated, the judge had stated, and I had stated, in open court, what things would be relevant and admissible when the case was brought on for trial on its merits. It had, prior to the indictment, been heard only on the bill and certain affidavits of the plaintiffs and on affidavits and a motion to dismiss made on behalf of the defendants. Up to this day never have any answers been filed in that case. Up to this day no witnesses have ever appeared on the stand in that case. The case was never tried. I reiterate, it only got as far as a preliminary hearing.

Several places in the record you will find references to an "interlocutory decree" entered in that case by Judge McCoy. Neither Judge McCoy nor anyone else ever entered an interlocutory decree in that case. There was no interlocutory decree. There is no record of any interlocutory decree. There was only one order of the court ever signed in that case, and that was signed on April 12, 1915, restraining the comptroller, the Secretary of the Treasury, and the Treasurer of the United States from covering into the Treasury the \$5,000 due the bank as interest on bonds which the comptroller had attempted to have confiscated under the guise of penalties, and commanding the comptroller and the Secretary to show cause why the injunction should not be continued. And subsequent to that time, there was an opinion filed by Mr. Justice McCoy, on which no judicial action was ever taken, because before the case could be tried and the authority of the comptroller definitely settled by the court of last resort, the bank was compelled to dismiss its suit or else suffer forfeiture of its charter. And even at that cost it could not have obtained official judicial determination of the comptroller's powers, for if it had suffered forfeiture of its charter, the suit would have been dismissed, because not then being a national bank the questions raised by the suit would have become moot and no court would have had jurisdiction to entertain the case; so that the case was never tried. And how is it possible for anyone to pretend that Mr. Untermeyer was not Mr. Williams's counsel when his appearance of record as counsel for Mr. Williams and Mr. McAdoo was formally entered, and he was still counsel on the equity court records for Mr.

Williams, when the indictment was procured, and so remained counsel of record during, and for several weeks subsequent to, the criminal court trial, for the equity suit, it should be borne in mind, remained pending, and undisposed of even as to its preliminary motions, until June, 1916, after the indictment had been brought, after the acquittal had been obtained, and a year after the proposition I have testified to had been made.

Did the Riggs National Bank, as charged then, and despite the results of the trial repeated here, buy and sell stock to or through Lewis Johnson & Co., and make short sales to or through Lewis Johnson & Co.? An American jury decisively answered that question in the negative. That answer was not satisfactory to Mr. Williams, so he reiterates the charge before this committee and also in the record of the hearings here on that subject, we have the testimony of Mr. Williams's counsel, Mr. J. C. Adkins, Mr. Williams's former counsel, Mr. Samuel Untermeyer, and of District Attorney Laskey. Mr. Laskey tells the committee that I was wrong when I said that Lewis Johnson & Co. kept its ledger account of the stock transactions referred to in the name of Riggs National Bank merely for that firm's own convenience, and Mr. Adkins tells you that in these transactions the bank's credit was used. Also Mr. Adkins volunteers the statement, made, I think, inadvertently, that he holds no brief for anybody connected with this case. I want the Senators to understand that Mr. Adkins, a member of this bar, is a friend of mine, for whom I have both personal and professional regard, and I am sure his statement was inadvertent. For, in Pennsylvania now, and when Mr. Adkins appeared before you here, there is, and there was, pending a suit brought by a national bank against Comptroller Williams. It is the bank with which Representative McFadden has connection, the name of which I do not know. A Federal judge in Pennsylvania has issued an injunction restraining Mr. Williams in that case, and according to the last word I have heard on the subject that injunction is still standing. The Federal court issued its restraining hand against Mr. Williams. That I am not interested in. But I am interested in telling you that in that case, which is now pending, one of the attorneys now, and of course at the time when he testified here, for John Skelton Williams, Comptroller of the Currency, is and was Mr. Jesse C. Adkins. If representing a client as counsel in a pending litigation is not holding a brief for that client, then I do not know what "holding a brief" is.

When Mr. Adkins was testifying regarding the Lewis Johnson & Co. account, he was questioned by Senator Gronna as to whether the bank's funds had been used in the purchase and sale of stocks, his testimony having led directly to that inference, and the following occurred (Senate hearings, pt. 4, pp. 306, 307):

SENATOR GRONNA. Do you mean to say that it used the bank's funds in that way?

MR. ADKINS. They would use the bank's credit in buying stocks that they bought.

SENATOR GRONNA. But you just stated that they were using the bank's funds.

MR. ADKINS. Yes, sir; they were using the bank's funds, and if they did not have enough money to the credit—

MR. ADKINS. Yes, sir; I am telling you the substance of the affidavits.

MR. ADKINS. Yes, sir; I am telling you the substance of the affidavits.

Senator GRONNA. That is a very serious proposition, if they were using the bank's funds.

* * * * *

The CHAIRMAN. You do not claim as a matter of fact that the bank invested its own funds in this stock-brokerage business?

Mr. ADKINS. I do not claim that they took funds out of the bank without putting a new note there, but I do claim that they used the credit of the bank when they bought stocks.

And in his testimony Mr. Williams follows that same line of contention, as does Mr. Laskey, the point being to create the impression that the credit of the Riggs National Bank was used in the transactions with Lewis Johnson & Co. The statements are unfounded in law and disproved in fact. They are unfounded in law because the Riggs National Bank could not have dealt in buying and selling stock and its credits could not have been thus used, and no brokerage house or anyone else dealing with it could have claimed that its credit was relied upon. Dealing in stocks is ultra vires the powers of a national bank, and therefore the credit of the Riggs National Bank could not have been looked to by anyone. But that I mention merely as a side issue to show, as a purely legal proposition, how utterly absurd it is for lawyers to say that the credit of the bank was used. As a matter of fact, which is more important, the claim is disproved by the only sworn testimony on the subject. Mr. Laskey heard the only testimony ever given on this subject, and undoubtedly Mr. Adkins has overlooked it. In the trial of the alleged perjury case members of the firm of Lewis Johnson & Co. were subpoenaed to give testimony. Lewis Johnson & Co. was not a corporation; it was a firm; what one partner knew, of course, the firm was chargeable with knowing. No partner of that firm, although the Government had subpoenaed them, ever testified contrary to the only testimony on the subject given by one of the partners, Mr. Charles P. Williams, which I here quote. I turn to his sworn testimony on pages 1282 to 1284 of the record of the criminal-court proceeding, which shows, first, that this witness was subpoenaed by the Government, and, second, that the Government did not put him on the stand as a witness, and, third, that the credit of Riggs Bank was not used in the stock transactions referred to. [Reading:]

Charles P. Williams was called as a witness by and on behalf of the defendants and, being first duly sworn, testified as follows:

* * * * *

Q. How long have you lived in the District of Columbia?—A. Since January 18, 1875.

* * * * *

Q. Have you been in attendance on this trial every day?—A. Since the 8th day of the month.

Q. And have you informed my friend, the learned district attorney, of your presence here?—A. Yes.

* * * * *

Q. Were you subpoenaed as a witness in this case?—A. Yes.

Q. By whom?—A. By the United States.

* * * * *

Q. Were you ever connected with Lewis Johnson & Co.?—A. Yes, sir.

Q. For how long?—A. I entered that firm on May 14, 1904, and retired from it January 15, 1913.

Q. What was the nature of your connection with that firm?—A. A member of the firm—a partner

Q. Who were your copartners?—A. John William Henry and William A. Mearns.

Q. Did you have any personal knowledge of the stock-brokerage transactions that were carried on the ledger books of Lewis Johnson & Co. under the name of the Riggs National Bank?—A. Yes, sir.

Q. Did you ever have any talk with Mr. Charles C. Glover, Mr. William J. Flather, and Mr. Henry H. Flather about the orders given to Lewis Johnson & Co.?—A. Frequently.

Q. Were you ever informed with respect to who the purchasers and sellers of those stocks were?—A. In many instances.

Q. Who were you informed they were?—A. Customers of the bank; orders given by those individuals for the accommodation of customers of the bank.

Q. You being a member of the firm of Lewis Johnson & Co., I wish you would state why the account was carried on the books of Lewis Johnson & Co. in the name of the Riggs National Bank?

* * * * *

A. It was carried in the name of the Riggs National Bank in the same manner and same form that the accounts of other national banks were carried, for the convenience of Lewis Johnson & Co., for the reason that the orders on those national banks were being received from different members—or different officers of those institutions—

Q. As a member of Lewis Johnson & Co., did you, when stock was bought or when stock was sold, become aware who the seller was and who the purchaser was at any time?—A. I did.

Q. How?—A. For the reason that—

Mr. ARCHER. No; not for the reason, but how?

A. (Continuing.) For the reason that the moment a notice was delivered to the officers of any of those institutions, immediately an order was issued by that party, whoever it might be, to transfer the stock to the individual who purchased it.

Q. And when the stock was sold you would get a certificate?—A. Get the certificate in the name of the party, of some party, not of any bank.

Q. You are a client of mine, are you not?—A. I am.

Now, that is so clear, Senators, that I do not comment on it. In the light of that testimony, uncontradicted by any testimony whatever, it is difficult to understand how there can be here again repeated the entirely refuted assertion that either the funds or the credit of the Riggs National Bank had been used in stock transactions with Lewis Johnson & Co.

But you are told that not only did the Riggs Bank buy stock, but that that was one of the prime reasons why Comptroller Williams from 1914 to 1916, by continual examinations and by endless correspondence, and finally by nation-wide publications, held this bank up to contumely. If that in fact was, in part, the reason for the line of conduct adopted by Comptroller Williams toward the Riggs Bank, what explanation has been made to you of his failure to adopt a like line of conduct in view of the publicly known fact that precisely the same sort of accounts, covering precisely the same character of transactions, were carried on the books of Lewis Johnson & Co. in the names of 10 other national banks in the District of Columbia? This fact is shown by the sworn testimony of Mr. Morris Lammond, who, it will be remembered, gave Mr. Samuel Untermyer an affidavit contradicting the affidavit of Messrs. Glover and Flather, testified for the prosecution before the grand jury, and was subsequently rewarded by an appointment as national bank examiner. On pages 875 to 877 of the criminal court record this

witness, who had been produced on behalf of the prosecution, was under cross-examination, and I quote the record:

Cross-examination by Mr. HOGAN:

Q. I show you the following ledger accounts in the stock department of Lewis Johnson & Co., and ask you if the same are not originals produced by you from the records of Lewis Johnson & Co., now in the possession of the trustees?

Lewis Johnson & Co.'s stock department account with the Commercial National Bank.

Lewis Johnson & Co.'s stock department account with the American National Bank.

A. Yes.

Q. Both of those are in the names of the bank the same precisely as that of Lewis Johnson & Co. and the Riggs National Bank. They are the same, are they not?—A. Yes; they are.

Mr. ARCHER. Mr. Hogan, I understand you are just identifying those now?

Mr. HOGAN. Yes.

By Mr. HOGAN:

Q. Lewis Johnson & Co.'s stock department account with the Farmers' & Mechanics' National Bank?—A. Yes.

Q. Lewis Johnson & Co.'s stock department account with the Franklin National Bank?—A. Yes, sir.

Q. Lewis Johnson & Co.'s stock department account with the National Metropolitan Bank?—A. Yes, sir.

Q. Lewis Johnson & Co.'s stock department account with the National Bank of Washington?—A. Yes, sir.

Q. Lewis Johnson & Co.'s stock department account with the Second National Bank?—A. Yes, sir.

Q. Lewis Johnson & Co.'s stock department account with the Columbia National Bank?—A. Yes, sir.

Q. All of which are originals?—A. Those are originals.

Q. They were produced by you out of the custody of the trustees of Lewis Johnson & Co.?—A. They were.

Q. And the banks whose names I have called off are national banks in this city?—A. They are.

Q. And these accounts were kept with those banks or in the name of those banks in the regular course of business of Lewis Johnson & Co.?—A. Yes, sir.

* * * * *

Q. These transactions that are shown here relate to the purchase and sales of stocks carried on your books?—A. Yes, sir.

The CHAIRMAN. Was that ever controverted in any way?

Mr. HOGAN. No, sir.

The CHAIRMAN. Disproved?

Mr. HOGAN. No, sir. It was proved by the Government witnesses, Senators, and proved by the production of the original documents. And the point is that Comptroller Williams, it is safe to say, never wrote a word to or about these other national banks in whose names Lewis Johnson & Co. carried precisely the same kind of an account that firm carried in the name of Riggs, while in official correspondence and nation-wide publications he pilloried the Riggs Bank for that thing. The discrimination is patent. The reason is obvious. The malice plain. Of course, I know, and the comptroller knew, that these other banks did not buy and sell stock from, to, or through this brokerage house of Lewis Johnson & Co. Neither did Riggs. The officers of all these other banks were simply doing what the Riggs officers were doing; sending to the brokerage firm the investment orders of customers, and Lewis Johnson & Co. were carrying the record of those transactions in the names of the several banks, as a member of that firm on oath testified, "for the con-

venience of Lewis Johnson & Co.," who knew that the stock purchases and sales were those of "customers of the bank" and that "the orders (were) given by those individuals (bank officers) for the accommodation of customers of the bank." (See sworn testimony of Charles P. Williams, quoted supra.)

The Glover and Flather account: The record of the hearings before this committee is in a very muddled state with regard to what is known as the Glover and Flather and the Flather and Flather accounts. Those were simply, so far as the Riggs bank was concerned, depository accounts that might have been with Jones & Smith, or, if I may borrow the name, with Mr. T. H. Newberry, or any one else. In those accounts were deposited by Glover and Flather the commissions earned by these officers that were ultimately turned over to the bank. That is all they were. Who directed that the accounts be kept that way? The Treasury Department. Mr. Owen T. Reeves, jr., president of a national bank in Chicago, was in the employ of the comptroller's department from 1901 until 1912; he was national bank examiner of the banks of the District of Columbia "from 1906 until 1911," during which period he frequently examined Riggs National Bank. These are facts he testified to on oath in the criminal court proceeding. He made his first examination of the Riggs Bank July, 1906; at that time he discussed with Mr. Glover and Mr. W. J. Flather and Mr. Henry H. Flather the account which he found in the bank embracing commissions received by officers of the bank on stock and bond transactions; that he took the matter up with the then Comptroller of the Currency, and then informed Mr. Glover and both of the Messrs. Flather that he had discussed these commissions with the comptroller, who had called in Judge Oldham, who was the counsellor for the Comptroller of the Currency Bureau; that Judge Oldham had ruled that a national bank, under the law, was not given the power to do a commission and brokerage business, and that the comptroller had said that "he knew it to be a fact that an officer of most of the down-town Washington banks was a member in the local stock exchange, and they received the commissions themselves"; that as this was not the case with the officers of the Riggs Bank, who turned the commissions they earned over to the bank, "they had better handle it as personal matters of theirs: Let an account or one or two accounts" be opened and "credit those commissions to those accounts, and if they felt that the bank was paying them salaries for their services, if they wanted to make a donation or present to the bank at any time, that there was nothing that could prevent them from doing it, that it would not be a violation of law. And I then instructed the officers of the bank that under the instructions I had received, they should wipe out that commission account and carry it in their personal names." (Sworn testimony of Owen T. Reeves, jr., record, pp. 1068, 1070, 1071, 1075, 1076.)

This testimony of National Bank Examiner Reeves continues [reading pp. 1076, 1077, and 1078, criminal court proceedings]:

Q. You said that you told them that the Comptroller of the Currency had said that if they wanted to turn over the money earned from time to time to the bank—donate it, I think you said—they would have a perfect legal right to do so. Do you mean the money earned as commissions?—A. Yes.

Q. Was there to your knowledge an account opened under your direction for these commissions?—A. The account was opened; I saw it, inspected it every time I went in there afterwards.

Q. Do you remember the name of the account?—A. Under the name of Glover & Flather, I think. I don't remember whether they used the initials or not.

* * * * *

Q. Now, I will ask you whether or not the matter that you reported to these gentlemen was correctly reported; whether or not you correctly reported the instructions given you officially by the comptroller?—A. Yes, sir.

Q. You anticipated a question of mine, if I understood you; you said that thereafter as long as you were bank examiner here, as long as you inspected the Riggs National Bank you inspected that account of Glover & Flather?—A. Yes, sir.

Q. I show you a sheet of the Glover & Flather account. Is that the account you refer to in the name of Glover & Flather? [Handing witness a paper.]—A. (After examination.) I think that is the same account.

Q. Did you also have access to the Flather & Flather account?—A. Yes.

Q. How long were you a bank examiner here?—A. Six years.

Q. Who succeeded you?—A. Mr. Hann.

Q. I hand you an account named as the W. J. and H. H. Flather account.—A. There were two accounts.

Q. I wish you would state, Mr. Reeves, whether or not any of the defendants or officers of the bank ever refused to permit you to see those accounts?—A. Oh, no; I was never refused permission to see anything in the bank. Mr. Glover was always very insistent that I try to find something in the bank to tell him.

Q. During the time you were bank examiner, after you gave those instructions to the officers of the bank in 1906, state whether or not so far as you observed those accounts were kept as you directed?—A. They were.

Q. Mr. Darlington makes a suggestion that I thought had been covered by my questions to you. The two accounts I hand you are the Glover & Flather account and the Flather & Flather account, as you have stated?—A. Yes, sir.

So that, as you now see by uncontradicted, undisputed, sworn testimony, by direction of the Treasury Department in 1906 these accounts, for which these gentlemen have been pilloried here and elsewhere for carrying in the Riggs Bank, were opened in that bank and were subjected thereafter constantly to these examinations:

Now, before I pass from Mr. Reeves, it has been said here that Mr. Reeves criticized the bookkeeping methods of the bank and in other ways criticized affairs in the bank. No national bank ever failed to receive some criticisms from an intelligent and careful bank examiner. Mr. Reeves did criticize the bookkeeping methods. The Bank of England, you know, until recently, could not be induced to put in calculating machines or typewriters. The Riggs National Bank was an old institution, and they held on for a long time to the old bookkeeping methods. But Reeves was a constructive Government official, his criticism and his calling attention to things resulted in helping that and other institutions, so that when they were brought to our attention, anything regarding bookkeeping that Mr. Reeves wanted changed, in due course of time, when new books were gotten, they were brought up to the most modern methods of bookkeeping. And so, having as national bank examiner examined the Riggs Bank repeatedly in the five-year period from 1906 to 1911, Mr. Reeves, on oath, testified in the alleged perjury trial (criminal court proceedings, record, pp. 1079-1080):

Cross-examination continued by Mr. FITTS:

Q. It was a good, strong bank, was it not?—A. One of the best banks I ever examined.

That is why said Mr. Reeves had come here and so testified.

You will have noted that Mr. Reeves stated he was succeeded in the District of Columbia by Bank Examiner Hann. This examiner, Mr. Samuel M. Hann, rendered the last national bank examiner's reports to the Comptroller of the Currency immediately preceding the incumbency in that office of Mr. John Skelton Williams. When I last appeared before you I quoted from that report, commendatory and laudatory of Riggs Bank. I have shown you that that report was under the personal examination of Comptroller Williams. By it Mr. Hann showed that on his very first examination of the Riggs Bank he was made acquainted with the Glover and Flather accounts, and in that report Mr. Hann states that Examiner Reeves had informed him that the practice had been submitted to the Secretary of the Treasury and had not been decided not to be in contravention of the national-bank act. Mr. Adkins appeared before you he seemed to doubt that Mr. Hann had so reported, and, as I remember his remark, said he would like to see that report. It is strange his client, the comptroller, has not shown it to him. In part 2 of these proceedings it is sufficiently quoted from on the subject of the bank's condition, and I insert here a page of that official report received at the comptroller's office June 2, 1913, on the subject of the Glover and Flather accounts.

(The matter referred to is as follows:)

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY.

No. of bank, Riggs National Bank, D. C.

Date of report, May 15, 1913.

GENERAL REMARKS.

Your examiner desires to call special attention to the following practice which Mr. Glover states "has been in vogue for over 40 years and which has been reported and made known to every Comptroller of the Currency." Messrs. Glover and Flather (as individuals) invest money for customers of the Riggs National Bank, Washington, D. C., on real-estate security; they also buy and sell stocks and bonds for customers of the bank. Messrs. Glover and Flather hold seats on the local stock exchange.

There is carried on the individual ledger of the bank two accounts, viz, one designed as "Glover & Flather" and the other as "Flather & Flather." The records of the bank disclose that on October 5, 1911, there was transferred from the account of "Glover & Flather" \$1,800 which was placed to the credit of profit-and-loss account; on October 5, 1911, there was transferred from the account of "Flather & Flather" \$8,700, which was placed to the credit of profit-and-loss account; on October 3, 1912, there was transferred from the account of "Flather & Flather" \$3,600, which was placed to the credit of profit-and-loss account; on October 3, 1912, there was transferred from the account of "Glover & Flather" \$2,400, which was placed to the credit of profit-and-loss account. The account of "Glover & Flather" was opened on the individual ledger November 30, 1906; the account of "Flather & Flather" was opened on the individual ledger January 8, 1907.

Messrs. Glover and Flather admit that these accounts contain the commission or profit on real-estate loans; also the commission on sale of stocks and bonds. They state "that formerly the bank credited the commission on real-estate loans and sale of stocks and bonds to a commission account, but in deference to the department, they closed this account, and since 1906, as above stated, the commission or profit has been credited to their individual accounts."

Mr. Glover stated to the examiner "that not a dollar of the bank's assets was being loaned on real estate." He claims that, being treasurer of the American University, treasurer of the Corcoran Art Gallery, and treasurer of the Louise Home, there is always at his disposal, a large amount of money awaiting investment. He further states "That in addition to the above-mentioned institutions a great many individuals seek real-estate investments

through him on account of his wide experience in handling Washington real estate." He states "this custom has been inexistence for over 40 years, and his clients have been so accustomed to this method that it would be difficult to induce them to take any other form of investment. In the whole 40 years, we do not recollect the loss of a dollar in the investments thus made."

He claims that these transactions are entirely personal; that his clients immediately give a check against their account in the bank for the money invested in real estate or for the purchase of stocks and bonds. He claims that the money is deposited in the Riggs National Bank for the avowed purpose of being invested in real estate or stocks and bonds. He states that in this way his deposits have been materially increased, in that there is always a large amount of money seeking investment. He states that "these institutions would not leave their money on deposit even with 2 per cent interest; that by virtue of the practice above outlined the bank not only has the use of the money while waiting for investment but that when the real-estate notes mature the proceeds thereof are deposited to the customer's credit until the money can be again reinvested."

Mr. Glover states that "as far as the profit is concerned, there is no legal or moral obligation on his part to turn it over to the bank." He states "the commission or profit belongs to him, and that he first began turning it over to the bank when the Riggs Bank went over into the national system."

He claims that while usually these real estate loans are investigated after banking hours, at times he and Mr. Flather have investigated properties during banking hours.

In order to hold himself above criticism, he has turned over every dollar of profit to the bank. He states "that he has loaned millions of dollars in this way." The collection files of the bank indicate a large amount of real estate notes left for collection; these notes are filed with all the other notes and are not among the assets of the bank.

Examiner Reeves informed your examiner that this practice had been submitted by Comptroller Ridgley to the (then) Secretary of the Treasury, who had decided that the above practice was not in contravention of the national banking act.

Respectfully submitted.

SAMUEL M. HANN, *Examiner.*

TO THE COMPTROLLER OF THE CURRENCY,
Washington, D. C.

Mr. HOGAN. I hardly think it will be further possible to misrepresent, or for anyone to misunderstand, the Glover and Flather account.

Mr. Untermeyer in his testimony here said two things: First, that Mr. Williams is a good comptroller; second, that the Riggs National Bank was a brokerage shop—I use his own language—"was not a bank at all." Mr. Untermeyer was as correct, and no more so, in the first of those statements as he was in the second. Mr. Untermeyer never has been inside of the Riggs National Bank in his life to my knowledge. Certainly he has never examined its business.

The Riggs National Bank had in 1914, 9,000 depositors. It had correspondence with several thousand national banks throughout the country. It dealt in extensive foreign banking relations, keeping its own accounts in London and Paris. It was for a long time the only banking institution in Washington where you could get foreign money, which dealt in foreign exchange. There is no banking activity that is not conducted in the Riggs National Bank in connection with its millions of dollars per day in transactions, and against that it was found that in about 10 years its officers had in 2,600 instances accommodated customers by attending to their investments for them, less than an average of one a day, which is the foundation upon which Mr. Untermeyer bases his sweeping assertion that "this was not a bank at all."

When Mr. Untermeyer made that statement and said that Riggs Bank was nothing more than a "stock-brokerage shop," he forgot

that it had been the banking house of every President of the United States since Lincoln save one; and not because it is important, but because it is very interesting, I would like you to look at this check drawn by Abraham Lincoln just a few months before he was assassinated. He is a man that Samuel Untermyer would tell you dealt with a "stock-brokerage shop" which "was not a bank at all."

(Mr. Hogan here exhibited to members of the committee a check on Riggs Bank drawn by Abraham Lincoln, dated Nov. 18, 1864.)

You have been told that this practice of accommodating customers in the matter of their investments had ceased. Senators, if any one of you want to consult the well-informed officers of the Riggs National Bank—who, with one exception, are to-day exactly as they were when Mr. Williams started his fight—about investments you want to make, the officers will now extend that accommodation to the bank's customers just as bank officers the country over are daily doing. The only difference now is that the officers in their individual capacity no longer charge a commission which they turn over to the bank, and that difference is brought about because the Federal reserve act prevents officers from making any money other than their salaries.

By reference again to the first page of this printed copy of Comptroller Williams's communication of August 12, 1919, to Senator McLean it will be found that in heavy black-faced type Mr. Williams has inserted this heading: "Attorney Hogan objects to making public the bank's correspondence with the comptroller."

Passing the peculiarity of having such captions interspersed throughout what is pretended to be a communication to the chairman of this committee, and passing for the moment the half-truth character of even quotations of the record of the hearings here which Mr. Williams purports to make in the August 12 communication, I want to make clear just what Mr. Williams refers to and make plain the true fact respecting that reference.

As I have already told you, the correspondence between all Comptrollers of the Currency and the Riggs National Bank from the date of the bank's organization to the time of the hearing of the equity suit in May, 1915, was printed. The bank had this correspondence printed for the use of its officers, directors, and counsel, in three volumes. The comptroller had this correspondence printed at the Government Printing Office, doubtless primarily for the use of his counsel in the equity case; and the "comptroller's print," like the "bank's print," consists of three volumes. Each volume of the "comptroller's print" bears upon it in black-faced type the words "Appendix to briefs for the defendant." We shall shortly see that these volumes were not at any time an appendix to the briefs for the defendants—McAdoo and Williams—in the equity case, and I have heretofore given you my version of the reason for the use of that subtitle. You have been repeatedly told that from the time of the organization of the bank down to the time of the equity suit in April, 1915, through the administration of various comptrollers, there had been constant complaint of violation by the Riggs Bank of the national-bank laws and regulations.

I have already exhibited to you all of the correspondence between the bank and all comptrollers from the bank's organization to the time of the suit. It is sufficient here to repeat that the entire correspondence between the Riggs National Bank and Comptrollers of

the Currency from August, 1896, to June, 1914, a period of approximately 18 years, is comprised in one small printed volume of 78 pages. The correspondence between Comptroller Williams and the Riggs National Bank from June, 1914, to April, 1915, a period of 11 months, is comprised in two printed volumes of 516 pages.

When I last appeared before this committee I stated that counsel for the bank had endeavored to have the judge presiding at the preliminary hearing of the equity case have opportunity to examine this entire correspondence, but that that was objected to and prevented by counsel for the comptroller, Mr. Untermeyer. On the first page of his August 12, 1919, letter, Mr. Williams, referring to this statement, says:

Mr. Hogan, former attorney for the Riggs Bank, in his testimony before your committee, indicated that the comptroller's office would deprecate publication of the entire correspondence with the Riggs National Bank. His insinuation, or statement to that effect, is untrue, and was, I believe, deliberately intended to mislead or prejudice your committee. The truth is, it is Mr. Hogan, or his former client, the Riggs Bank, who now objects to having the daylight thrown upon that correspondence—not the comptroller.

On that subject I present, first, the equity case record; second, what the record of the hearings here themselves clearly shows.

In the record of the proceedings in the equity division of the Supreme Court of the District of Columbia, Mr. Justice McCoy presiding, on May 17, 1915, the first day of the preliminary hearings in the case of *Riggs National Bank v. Williams et al.*, pages 19, 20, 21, 22, 25, 26, and 27, the following is found:

Mr. BAILEY (counsel for the bank). If your honor please, before we proceed I want to ask counsel for the defendants a question. Here are three volumes, entitled "Correspondence between the Treasury Department and the Riggs National Bank," printed, it seems, at the same time with their answers or their affidavits, and uniform with them, styled "an appendix to the briefs of the defendants." I wish to ask counsel if that is to be understood now as before the court?

Mr. UNTERMYER (counsel for the defendants, Comptroller Williams and Secretary McAdoo). No; I do not understand that that is before the court. Our affidavits show what is before the court. They show that the letters of criticism which have been separately printed are before the court, but that they were not served and were not given out because of the desire not to disclose the names contained in those letters.

The COURT. Senator Bailey, I have not had the volumes that you have there. All that I have are those affidavits.

Mr. UNTERMYER. These have not been filed.

Mr. BAILEY. Of course, but a brief has been filed; I understood that. The purpose of my inquiry was to satisfy myself how far we were justified in referring to these [indicating the entire correspondence between the comptroller's office and the Riggs National Bank] on the argument.

Mr. WARREN (also counsel for the defendants, including Comptroller Williams). Not at all.

Mr. BAILEY. Then I will ask except as to those letters in which the business of the bank's customers is discussed, and obviously the bank ought not to put them before the court and thus make public the business of its clients and customers—outside of those I ask counsel to agree that in the argument these letters, as they have published them themselves, shall be understood as before the court and subject to use in the argument.

Mr. UNTERMYER. We object to that, if your honor please. We object to extending the scope of this argument. We are hopeful of being able to close the argument to-day and counsel has quoted very liberally in his bill from those letters that he desires to use. We have quoted from the letters that we desire to use. We see no reason for dragging into this controversy all this correspondence, part of which might or might not be competent if we come to a trial

of the action, but is certainly not competent or material here. They were printed for private use and for convenience.

The COURT. I think there is enough of the record here now to argue the case on.

Mr. BAILEY. If your honor please, there may be too much, and in our opinion there are many allegations that could well have been omitted; for instance, the allegation about Lotta Taylor, about which we have just had a controversy. Lotta Taylor never was in the employ of the Riggs National Bank, and consequently the whole story about her is irrelevant. But I would not have ventured to make this suggestion except that these letters have been printed at the Government Printing Office, and are designated as an appendix to the brief; * * * and surely if the brief was printed as this appendix to it is printed, I would have the right to refer to it and comment on it and deduce such conclusions from it as I could; * * *

Mr. UNTERMYER. I want to say before we close that part of the discussion that that is erroneously stated as an "Appendix to the brief."

Mr. HOGAN. It is printed three times.

Mr. UNTERMYER (handing to counsel for the bank a small printed volume containing 42 of the letters referred to). There are 42 letters of criticism referred to in the answer, but you have not copies of them.

Mr. HOGAN. They will not be used here, I understand?

Mr. UNTERMYER. They are to be used. They are a part of our papers, but they are not to be made public because of the names attached.

Mr. HOGAN. Oh, no; oh, no.

Mr. UNTERMYER. I say, oh yes. It is for the court to determine.

Mr. HOGAN. Well, let the court determine it. My friend, and this is impersonal, surprises me by him mental ability. He now hands me 69 printed pages, which he says are letters which are referred to, but not set out but quoted from in the answer, which they desire to use in this case as part of their answer * * *. Well, why? Are these selected letters, that are before the court and not in this answer, any more to be referred to than these other letters springing from the same source, printed by the same defendants? * * * I say to them, you can use them if we can use them all. We will use none or all, but we will use all or none, and we respectfully submit that that ought to be and should be and must necessarily be the court's position. Why, forsooth, has it ever become right under the practice here, to bring a lot of letters that you did not file and use them and not bring all in that you did not file and use?

Mr. UNTERMYER. If your honor please, I do not think my friend quite apprehends the point of discussion. These 42 letters are letters from the department of the Comptroller of the Currency, letters of criticism of this bank, and are written from time to time, and are thus referred to in Mr. Williams's answer or affidavit. * * * So that they relate to official documents in the possession of the plaintiff, issuing from the office of the Comptroller of the Currency, expressly sought to be embodied in the papers as part of the papers, but not filed because they contain the names of borrowers through a series of years, and we see no reason why these people's names should be dragged into the controversy or be given publicity. That is all there is of that. * * *

The COURT. Of course, it raises the other question as to whether or not the Government wants to adhere to its purpose of keeping these matters private. Of course, if they are used on this motion they have to be filed.

Mr. UNTERMYER. That being so, if your honor please, we do not think the exigency of this case warrants the Government in exposing private affairs or of private individuals, and if these papers must be filed in order to be used, then we shall not ask that they be used.

Mr. BAILEY. If your honor please, perhaps this would accomplish all that counsel desires. I am perfectly willing that all of these letters, omitting those that discuss the accounts of customers, shall be used, provided that also all of these letters passing between the bank and the comptroller pending this controversy or preceding this controversy shall likewise be used, except those which discuss the accounts of customers. I thoroughly agree with Mr. Untermyer that the controversy between the comptroller's office and the bank ought not to be made the occasion of exhibiting to public view the entirely private business transactions of customers of the bank. Neither the Government nor the bank would desire to do that. I am, though, sincerely anxious that counsel shall have the privilege of discussing and presenting to the court all of the letters * * *. So, in order that the court may have the benefit of

everything, we will agree, if it suits counsel, that all of the letters in these three volumes shall be considered before the court for the purpose of argument or for any other purpose if counsel please, except only those in which the transactions of customers are discussed.

Mr. UNTERMYER. My friend is too kind. We do not think, your honor, that it would be possible to separate the matters here and make them intelligible, if they are to be put in the files without the use of these names, and therefore we shall not insist upon this batch of letters being considered: but counsel may have them if they like.

Mr. BAILEY. We have them.

That is the immutable record. My testimony before this committee to the effect that the counsel for the comptroller had by objection prevented the laying before the court of the entire correspondence—omitting public reference to customers' names—was based on that equity record, in the teeth of which the comptroller circulates a document purporting to be addressed to the chairman of this committee, in which he said that when I informed you that in the equity case his counsel deprecated the publication of the entire correspondence, I made an "insinuation or statement" which, says the comptroller, "is untrue, and was, I believe, deliberately intended to mislead or prejudice your committee." And in the face of the record showing the willingness of the counsel for the bank to have all of the letters presented to the court for its consideration, Mr. Williams makes the statement that the truth is that the Riggs Bank, referred to by him as my "former client," or myself object to having the daylight thrown upon that correspondence. Comment would only weaken so obvious a situation.

Now, Senators, as you know, I produced and left with this committee the three volumes of the correspondence between the bank and the comptroller. And with respect to that correspondence, in part 2, page 150, the following is shown to have occurred here:

The CHAIRMAN. That volume of letters will be left with the committee, Mr. Hogan?

Mr. HOGAN. Yes, sir. I do not think that volume of letters, however, should be published, because, as I say, name after name of persons having no connection with this are in it.

The CHAIRMAN. I understand. It will be considered in executive session.

If you will turn to page 1 of Mr. Williams's letter of August 12, 1919, to the chairman you will find that, following his usual custom when he undertook to quote the record he, first, uses italics and, second, omits from his quotation the line in which the chairman of this committee made the statement that he understood that the volumes contained names of persons having no connection with this matter and that the correspondence "will be considered in executive session." Also, in part 8 of the hearings before this committee, page 614, referring to this correspondence of the comptroller with the bank, the following statement was made by the chairman.

The CHAIRMAN. I do not think it is worth while to encumber the record with too many of them. I will leave it to your judgment. You realize the situation. This matter has been gone over so many times.

In part 8 of these hearings, on page 625, referring to the same correspondence, the following is found:

The CHAIRMAN. The correspondents will show the character of their replies, and we have that correspondence.

In addition to making the statements I have already quoted, Comptroller Williams further says on page 1 of this August 12, 1919, pamphlet of his:

I venture to suggest that it was not the names of "persons having no connection with this" that prompted Mr. Hogan's eagerness to prevent that correspondence from being printed, for names which should not be given could easily be deleted. It was more probably his desire to keep from the public illuminating facts regarding the unlawful and discreditable practices of the bank and its officers, including the fraudulent operations of Mr. H. H. Flather, formerly cashier of the bank, etc.

Mr. Chairman, there was, as the record clearly shows, left with this committee the printed volumes of this entire correspondence; both the comptroller and myself have been allowed to quote in this record from any part thereof; I have here an extra set of that printed correspondence, and I would like you—not you, Mr. Chairman, because you happen to be with the majority party in Congress; but you, Senator Henderson, who by training and profession are a lawyer and a member of the party of which Mr. Williams is a member—I am going to leave with you these three printed volumes of the correspondence between the Comptroller of the Currency and the Riggs National Bank, the first being the correspondence preceding Mr. Williams's incumbency in office, the other two volumes being the correspondence to which Mr. Williams refers in the quotation I have made from his letter of August 12, 1919, and I ask you to do two things: First, to incorporate in the printed record of these hearings any part of this correspondence which directly or by inference you find to show Henry H. Flather guilty of the slightest fraudulent transaction or operations toward or in connection with any customer or client of his own or of the bank's, and to print it fearlessly. Secondly, if you find any correspondence in these two volumes which shows any fraudulent conduct or operations on the part of Mr. Henry H. Flather toward any bank customer or clients, or any client or customer of his, which I have suppressed, I ask you to disregard utterly and entirely every word I have said before this committee.

Loans to officers: In his testimony here, which I am endeavoring hurriedly to rebutt, Mr. Williams returned again to his criticism of loans to officers of the Riggs Bank. I am not going to repeat what I have already said on that subject; it will be found in part 2 of these hearings. You now know that there was never a loan to any officer of the Riggs National Bank that was not collaterally secured. You now know, and he has known, that there was never one dollar lost by loans to any officer. You now know that while Mr. Williams has given Nation-wide publicity to the loans made to officers and directors of the Riggs Bank, he solicitously appeared before this committee and urged that it would be manifestly unfair to give the same, or any publicity, to loans made through the officers and directors of other national banks in the city of Washington. A reference to your proceedings here only yesterday is sufficient on this point. You now know that while he was hounding the Riggs National Bank, on the pretext that it had made loans to its officers, and not because he was animated by personal hostility, the other banks in this community under his very eyes, as banks throughout the country do, were carrying loans to their officers and directors, and you have never

heard of any of them being harassed for it, and you were told that it would be manifestly unfair to even make it public. The solicitude of the Comptroller of the Currency for other institutions, if it had been shown even in a minor degree toward the Riggs, would have saved this committee a great deal of trouble.

I call your attention, Senators, to an astounding thing. Mr. Williams has in his testimony a number of times referred to loans to officers of the bank. From his testimony, and from his writings on this subject, he habitually deleted any high grade collateral which the bank had as security for those loans, although he has, and has all along, been fully informed just what that collateral was, and at the same time he always emphasizes any low grade collateral that might have been found among the excess margin in the security of the officers' loans. So persistent was he in creating an impression of this kind regarding the collateral behind officers' loans that on one occasion when he had returned to the subject he was questioned about it by Senator Gronna. From this record I assume that Senator Gronna has had practical banking experience, the questions he propounded on the various subjects here so indicating. In part 9, pages 686 and 687, what I have referred to as an astounding thing will be found recorded. Seeking information regarding the collateral held by the bank as security for officers' loans, Senator Gronna questioned the comptroller. Permit me to quote the record (pt. 9, p. 686-687):

Senator GRONNA. What was that collateral?

Mr. WILLIAMS. That has been referred to, I think, once or twice. I think it was, Mr. Chairman, Mr. H. H. Flather's loan where five or six stocks were read out, some of them selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18. But they were very speculative stocks. I think I recall among them Rock Island preferred and common, Missouri Pacific, and other things. I think the record shows the list.

And then Senator Gronna asked a question, a pertinent question which would be suggested to an intelligent mind, of the comptroller, and listen:

Senator GRONNA. Were they put up at par or put up at actual value?

Mr. WILLIAMS. The stocks that sold at 1 were put up at par.

Mr. WILLIAMS. Mr. Chairman, let me interrupt.

Mr. HOGAN. I do not care to be interrupted. I did not interrupt the gentleman.

Mr. WILLIAMS. I made no such statement as that.

The CHAIRMAN. You are reading from the stenographic report?

Mr. HOGAN. Page 687 [reading]:

Senator GRONNA. Were they put up at par or put up at their actual value?

Mr. WILLIAMS. The stocks that sold at 1 were put up at par.

Now, that he made the statement, which he now excitedly sought to deny, is conclusively proved by the very next inquiry of the Senator [continues reading]:

Senator GRONNA. They were?

Mr. WILLIAMS. I have no doubt they were. They were lending on stocks of a highly speculative character at par. Some of them were good. I do not know how the loans ran for a period of years; how far they were adequately margined. It was with a view of getting this information, as to how much the bank had been lending to its officers on inadequate margins, that I asked for this report.

Senators, at the time he made that statement he had in his possession the truth, which would have enabled him to give Senator Gronna, who was seeking the truth, the facts.

I hold in my hand and exhibit to you photostatic copy, obtained from the comptroller's office by a process of court, of the official report of the examination of Riggs National Bank by National Bank Examiner Hann, which report shows on its face it was filed in the office of the comptroller on June 2, 1918. Throughout the pages of this report there are marks of defacement and notes to call attention to particular parts of it, which marks I charged were made by John Skelton Williams personally with his own hands. I exhibit these marks on the face of the pages of this report to you [indicating]. I call attention to that not because I want you to see the marks, but in order to emphasize the fact that this paper had been before Mr. Williams personally, and that the data reported officially in it by the national bank examiner on this very subject with respect to which Senator Gronna interrogated the comptroller was before Mr. Williams personally. There is no conceivable loophole through which the witness can crawl on this subject.

On page 8 of this national bank examiner's report, under the heading "Attention called to the following loans to directors, Schedule D," is the following [reading]:

\$71,000—M. E. Ailes: Secured by mixed stock exchange collateral worth (last quotation) \$46,700. \$35,000 joint with other individuals worth \$500,000 (temporary loan)—used to improve Commercial Club.

\$63,500—Henry H. Flather: Secured by mixed stock exchange collateral worth \$75,000.

\$71,925—William J. Flather: Secured by mixed stock exchange collateral worth \$94,000.

\$54,000—Charles C. Glover: Secured by 500 shares stock American Security & Trust Co., D. C., at 300, \$150,000.

Permit me to emphasize that the foregoing was in an official report rendered as a result of the bank examination conducted just the summer before Comptroller Williams started his fight on the Riggs National Bank, which official report he had personal knowledge of long before he made his statements here regarding the officers' loans and before Senator Gronna propounded the pertinent relevant question that naturally suggested itself to any intelligent man. Note, please, that the collateral was not listed at par, but at the actual value, as found by the national bank examiner, according to the last quotations. Note further that as to Mr. Ailes, behind \$35,000 of his indebtedness there were, at the market value, collateral worth \$46,700, or a \$10,000 margin, and as to \$35,000, a mere temporary loan, made, as you will notice, for a public purpose, Mr. Ailes was a joint maker with other individuals worth \$500,000 according to the bank examiner's investigation as regards Mr. Henry H. Flather's indebtedness of \$63,500, the bank examiner officially reported it secured by collateral worth \$75,000. Mr. William J. Flather's indebtedness of \$71,925 was secured, according to the bank examiner's official report, by collateral worth, at the then last quotation, \$94,000, a margin of \$23,000. And Mr. Charles C. Glover's loan of \$54,000 had behind it collateral the market value of which was at the time \$150,000, nearly three times the amount of the loan.

And with this information before him Comptroller Williams informs Senator Gronna that collateral was not put up at its actual

value, but at par—a statement which naturally brought forth these inquiries from Senator Gronna: "They were?" To which Mr. Williams responded "I have no doubt they were." The context shows that no error was made in the reporting.

On page 14 of this bank examiner's report, which I am exhibiting here to you and which, I repeat, Mr. Williams had personally before him, the examiner says, regarding Riggs Bank loans:

Of total loans \$6,700,000 are secured by collateral; 90 per cent of which are secured by marketable and quick collateral.

But that is not all there is in the way of the almost inconceivable creating of false impressions. Mr. Williams would lead the committee to believe that he had shown in the record here the list of collateral behind Mr. Henry H. Flather's loan with the bank in 1914. The fact is that he did put in a list of what he endeavored to lead this committee to believe was the collateral behind Mr. Flather's loan, in which list, however, he gave you only the following stocks:

LISTED.

Two hundred shares St. Louis & San Francisco preferred stock; 100 Rock Island Railroad preferred stock; 100 Rock Island Railroad common stock; 200 shares Missouri Pacific Railroad stock; 200 shares Inspiration Consolidated Copper stock; 350 shares Intercontinental Rubber stock.

When Mr. Williams put that list in the record he knew from this bank-examiner's report which I hold here in my hand before you, that the Henry H. Flather loan of \$63,500 was secured by collateral having a market value of \$70,000, and he had been furnished with a list showing every security in that collateral, which list is as follows:

One hundred shares Security Storage stock; 65 shares Southern Railway; 12 shares Norfolk & Washington Steamboat Co.; 150 shares Washington Railway & Electric; 200 shares Inspiration Consolidated Copper; \$20,000 of Wabash first registered and extended 4's; 350 shares of Intercontinental Rubber; 200 shares Missouri Pacific; 50 shares People's Gas; 10 shares American Car & Foundry; 100 Rock Island preferred; 100 Rock Island common; 200 St. Louis & San Francisco second preferred. Total, \$63,500. Value of collateral, \$70,000.

All the above is here in plain typewriting in the official report of the national bank examiner.

But more than that, on July 14, 1914, is a letter addressed to Mr. Williams in response to one from him dated July 2, 1914, to which he personally made reply, and which there can be no question that he personally saw and was familiar with, which letter will be found on pages 94 to 119, inclusive, of the printed volume of the correspondence between Mr. Williams and the Riggs Bank, Mr. Williams was informed that the loans to Henry H. Flather, on May 18, 1914, aggregated \$63,500, and were secured by stock and bonds, a list of which was given him and which list is precisely the same as that last above quoted. (See pp. 108, 109, of the correspondence.) The list transmitted on July 19, 1914, to Comptroller Williams showed that the above listed Southern Railway was preferred stock and the above listed 150 shares of the Washington Railway & Electric was preferred stock.

You will see that knowingly and deliberately Mr. Williams presented to you as the collateral for Mr. Flather's loan the names of six securities, when the list of that collateral, in his possession,

showed 13 securities in the collateral; you will see that he made no reference to the fact that in the collateral there were 100 shares of Security Storage stock having a market value at that time of \$190 per share, its par value being \$100; that he made no reference to the Norfolk & Washington Steamboat Co., one of our very highest grade securities, and that he even deleted the 50 shares of Peoples Gas stock which appears in the list between the Missouri Pacific and the Rock Island stock which he did mention.

I could go on and give you case after case of illustrations like that, but it would be wasting your time.

Mr. Williams said that I did not read the prices of stock that he had made reference to in one of his letters. I was only illustrating at the time this thing which showed how he selected certain low grade stocks from a list in which they merely represented excess margin collateral, the complete list, if truthfully presented, showing that the loan in question was safely secured. Now, I have shown you, I think conclusively, that this public official, appearing before a Senate committee with the data which would enable him to state the truth in his possession, deliberately suppressed, valuable information, deliberately created false impressions, deliberately untruthfully answered plain questions propounded to him by Senators, in instances where, if he disclosed the facts in his possession, they would prove, first, the untruthfulness of his statement, second, the paranoic-like malice of the man.

You remember in this record when the subject came up of loans made by certain District of Columbia banks to members of the family of Comptroller Williams, I said that I would later refer to that subject in another connection. I now simply call attention to the fact that James Trimble, a national bank examiner, under dates of June 30, 1919, and July 8, 1919 (part 4, pp. 255 and 257, Senate hearings), in two letters obviously dictated by Mr. Williams on the subject of the collateral security in the Commercial National Bank and the Munsey Trust Co. of John L. Williams & Sons' loan, says, that the Georgia and Florida bonds found among the collateral for those loans "may be considered nothing but excess margin," as the phrase is in the June 30, 1919, letter, or "might reasonably have been regarded as excess margin," as it phrased in the July 8, 1919 letter. But when low grade securities are found among high grade securities in the collateral of Mr. Flather they were not "considered nothing but excess margin," but are listed in Mr. Williams' correspondence with the bank and sent to this committee here as though they constituted the only collateral.

That collateral behind the loans to the officers were put up at their market and not at their par value was a fact which was evidenced by data immediately under Comptroller William's eyes when he answered Senator Gronna here, for by reference to part 9, page 687, of these hearings, you will find that at the very time that Senator Gronna indicated, he had before him information respecting the Felt note, made for the accommodation of Mr. William J. Flather, the loan being \$17,500, secured by 120 shares of Mergenthaler stock, the market value of which was on the date of that loan \$224 per share; the value of the collateral being therefore, \$26,880 to secure a loan of \$17,500.

One more instance, Senators, in this same connection, to show what I beg leave to characterize as the devilish ingenuity of the man: He says, at the bottom of page 686, part 9, of these hearings, that some of the stocks which were in the collateral of the H. H. Flather loan were "selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18."

What is the inference you draw regarding the market price of the last stock he thus mentions? You understood from that that the stock he referred to was selling as low as 18 cents on the dollar, did you not? Well, the truth is that the stock he there refers to and which he also listed in the same connection in his letter of July 26, 1914, to the Riggs National Bank (see p. 137 of correspondence) is "200 shares Inspiration Consolidated Copper Stock," which at that time was quoted in the market at \$18 per share, the par value of which was \$20 per share, so that it was at that time selling for 90 per cent of its par. Note that he was particular not to say "18 cents on the dollar," though he had used the expression "1 cent on the dollar," "9 cents on the dollar," with reference to the other stocks in the same sentence. But, of course, no one could read his statement in any other light, and the false impression would have been created by the habitual half-truth method, if I did not now call your attention to it.

In the summer of 1914, in order that Mr. Williams would not even have a pretext for continuing any controversy on the subject of loans in the Riggs Bank to its officers, the officers decided that irrespective of how good their collateral was, they would not carry its loans in that bank, and they had no difficulty whatever placing them with other banks, and placing them with other banks under the supervision of the Comptroller of the Currency. The entire loans taken from Riggs Bank and placed with other banks in Washington at that time by the four officers of the bank, Mr. Glover excepted, as he had no loans whatever in Riggs Bank or any other Washington bank at that time, totaled \$144,800, Mr. Ailes having \$17,500, Mr. W. J. Flather, \$63,800, and Mr. H. H. Flather, \$63,500. Were they good loans? If they were not it was the comptroller's duty to order them out, for they were carried by banks right here in Washington under his control. He did not do it.

Loans to Treasury officials and members of their families: There was another pretext for the line of conduct on the part of Comptroller Williams toward the Riggs Bank in 1914 and 1915, and that it was simply a pretext is now proved by his own actions. Mr. Williams in dealing with the Riggs Bank indicated that loans made by the bank to Secretaries of the Treasury or previous Secretaries of the Treasury and Assistant Secretaries, to Comptrollers of the Currency, or to any members of the families of any such officials, furnished grounds not only for criticism but for condemnation. In an affidavit he filed in the equity case—and which was sent throughout this country in a 24-page circular printed at the Government Printing Office, circulated at Government expense, as part of Mr. Williams' Riggs Bank propaganda—he listed, as something uncovered by his vigorous official conduct, the fact that the Riggs Bank had loaned money in the past to persons who happened to be Treasury officials

and members of the families of Treasury officials. The standard that he pretended to hold up is indicated by these inquiries of his addressed to the Riggs Bank. Under date of November 24, 1914 (p. 310, correspondence), he wrote to the bank a letter, and among other things he said:

You are now requested to send to this office, within five days, a special report showing all loans which the Riggs National Bank has made, either directly or indirectly, at any time in the past 10 years, to the Secretaries of the Treasury, Assistant Secretaries of the Treasury, Comptrollers of the Currency and national bank examiners, and members of the families of these respective officials * * *

And under date of September 5, 1914, replying to a letter from the bank in which he had been informed in substance that the bank had no way of knowing the names of all national bank examiners, and the names of members of national bank examiners' families, over a period of ten years, although, of course, the bank could recall those bank examiners who had official relations with the Riggs Bank during that time, the comptroller said:

If you will furnish the information called for as to the national bank examiners (and members of their families) who have had official relations and who have borrowed money from you (or members of whose families have borrowed from you), this information will suffice, for the present, as to bank examiners.

It will be observed that comptroller John Skelton Williams thus indicated that loans to members of the families of Comptrollers of the Currency, or other Treasury officials, were apparently things of a sinister nature. Obviously he was taking the high and lofty position that there was something crooked, worthy of condemnation, if a national bank in Washington, subject to the supervision of the Comptroller of the Currency, should loan money "to the members of the families" of comptrollers or members of the families of Assistant Secretaries or examiners.

The Riggs National Bank gave him fully and completely the information he called for, with the result that he responded with a slurring reference to honorable gentlemen who had occupied the office of Assistant Secretary of the Treasury, which reference I will pass for the moment, as at this point I want to direct your attention to what the record now shows his real position to be as regards this widely heralded idea of public virtue. While Riggs Bank was getting this sort of treatment from Comptroller Williams, because in a few instances covering a decade of years there had been perfectly legitimate financial transactions between the bank and those who had held high public office, and, I think, in a few instances, members of the families of persons who happened to be Treasury officials, the Commercial National Bank was carrying and is still carrying large loans to John L. Williams & Sons, of Richmond, Va., a firm of which John Skelton Williams was formerly a member, a firm composed of members of the family of Comptroller Williams. And also the record now shows that the Munsey Trust Co., of Washington, a bank under the direct control of the Controller of the Currency, in the same manner as national banks in this city are under their official supervision, in 1916 carried a loan to this same John L. Williams & Sons, and also that the Munsey

Trust Co. has made a loan or loans to a "member of the family," namely a brother, of Comptroller Williams, that member of the comptroller's family being Mr. Lancaster Williams. John L. Williams & Sons are brokers and bankers of Richmond, Va. I do not know whether the banking facilities of Richmond, of the numerous State banks there and elsewhere which do not come under the supervision of the Federal Comptroller of the Currency, are or are not sufficient to carry the loans required by the members of the family of Comptroller Williams, who constitute the firm of John L. Williams & Sons.

I do not even know if there is any necessity for an explanation why these members of Comptroller Williams's family have to make loans of banks which are under the immediate supervision of Brother Skelton right here in Washington. I ascribe no impure motives to the transactions referred to. I have no doubt that the loans carried by these two Washington banks for the members of Comptroller Williams's family during the period Mr. Williams has been in office and has had these banks under his supervision were all properly collateralized. The one and only point I make is that while John Skelton Williams flayed the Riggs National Bank, wrote letters which indicated that loans were made by it to members of families of comptrollers of the currency, that was a thing for condemnation and censure, he seems to have been entirely complacent in the matter of loans by the Commercial National Bank and the Munsey Trust Co., both of Washington, D. C., to these members of his own family. Is it not fair that he be judged and condemned by his own pretended standard?

Mr. Trimble, in his letters of June 30 and July 8, 1919, to Comptroller Williams, which appear on pages 255-257 of the hearings here—which letters he who runs may read and see—were dictated by Comptroller Williams because you are now thoroughly familiar with the literary style of Mr. Williams's own favorite author, who is John Skelton Williams—on the subject of the John L. Williams & Sons' loans, says to the comptroller:

I have never discussed with you at any time the account with the Commercial National Bank of the firm of Mr. John L. Williams & Sons, in which firm before coming to Washington you were at one time interested, but with which I understand you have not been connected for more than six years past, and as far as my knowledge goes, you did not know that the firm had an account with the Commercial National Bank during any portion of the past five years, or that it has ever borrowed a dollar from them in this period.

From which quotation you will see that Mr. Williams did not address his inquiries for data regarding the loans made to comptrollers of the currency, and members of their families, to banks generally, but confined that line of inquiry to the Riggs Bank. Is it not clear that if Mr. Williams had evidenced half of the industry in directing inquiries to the other national banks that he evidenced in directing inquiries to the Riggs National Bank, this very obvious information that a firm composed of members of his family had an account with the Commercial National Bank during the past five years and for several years had loans made by this firm, would have been obtained?

It is inferrable from Mr. Trimble's statement that he never discussed with Comptroller Williams the loans which the Commercial National Bank made to the firm of Mr. John L. Williams & Sons,

and that Mr. Trimble never criticized those loans. Senators, having seen in this very room Mr. Williams and Mr. Trimble, can you imagine James Trimble criticizing to Brother Skelton any loans made by Washington banks to Brother Lancaster? Do you not know that Mr. Trimble would sooner enter a den of ferocious lions than to be guilty of any such conduct?

I have already referred to the fact that when in December, 1914, the Riggs Bank had transferred to Comptroller Williams the information he sought with respect to any loans which had been made at any time in 10 years to any of the Treasury officials mentioned, or to any person who within that time had been such a Treasury official, whether the loans were made prior or subsequent to the time when they held public office, the information brought forth from Mr. Williams a slurring reference to his predecessors in the office of the Assistant Secretary of the Treasury. Writing to the Riggs Bank on December 22, 1914, he said (p. 382 of the correspondence):

From your letter of December 9, it is noted that the money loaned by the Riggs National Bank to the Assistant Secretaries of the Treasury during the past 10 years was apparently limited to those Assistant Secretaries who were or had been in charge of the "fiscal bureaus," embracing the bureau having supervision over national banks; the other Assistant Secretaries, from your statement, do not appear to have been recipients of your favors.

It is interesting to note that among the honorable gentlemen he thus gratuitously slurred are found such names as Horace A. Taylor, Robert B. Armstrong (who, by the way, my recollection is, was Assistant Secretary in charge of customs matters), Charles H. Keep, Louis A. Coolidge, A. F. Statter, and others. Nowhere did Mr. Williams ever point out that the banking transactions which these gentlemen apparently naturally conducted in the city where they lived were not in every respect perfectly legitimate, and, following his bent of creating false impressions, he failed to mention the excess where the loans actually antedated or occurred subsequent to the times when the gentlemen mentioned held public office. On the subject the officers of the Riggs Bank, under date of December 24, 1914, replied to the above-quoted extract from Mr. Williams's December 22, 1914, letter as follows:

But as your letter of December 22 returns to the subject for a third time, and practically charges that we made loans to certain Assistant Secretaries of the Treasury because they were in charge of the "fiscal bureaus," and that we did not extend favors to other Assistant Secretaries, you would perhaps have a right to accept our further silence as an acquiescence in your imputation, and therefore we feel that we owe it to ourselves, as well as to the officers whose integrity is thus questioned, to analyze the loans made to the Assistant Secretaries of the Treasury as reported to you in our statement of December 9.

It appears from that statement that during the time covered by your inquiry we made loans to nine men who were or had been or became Assistant Secretaries of the Treasury. Of that number Messrs. Vanderlip, Alles, and Statter never borrowed a dollar from the bank until after their connection with the Treasury Department had been severed. The two loans to Mr. Howell, which that statement shows, were made more than six years after he had ceased to be an Assistant Secretary of the Treasury, and Mr. Coolidge obtained both of his loans before he became an Assistant Secretary of the Treasury. The first loan of \$500 to Mr. Coolidge was made January 15, 1906, and paid April 15, 1906, both the loan and the payment antedating his appointment as Assistant Secretary of the Treasury almost two years. The second loan of \$4,500 to Mr. Coolidge had been reduced by payments on account, and the balance due on it when Mr. Coolidge was appointed Assistant Secretary of the Treasury was \$1,028.12, which was continued by successive renewals and curtailments until finally paid in full.

It thus appears that the loans to five of the nine Assistant Secretaries of the Treasury were not made to them during their term of office, and certainly there can be no reasonable ground for supposing that those loans were made to them on account of their official position, because they held no official position when the loans were made.

Thus we reduce the number of assistant secretaries who obtained loans from this bank during their term of office to Armstrong, Keep, Taylor, and Edwards.

Mr. Armstrong obtained only one loan during his term of office, for \$1,000, which he afterwards paid in full.

Mr. Keep obtained but one loan, and while that loan was for the considerable sum of \$19,000, it is not necessary for us to tell anybody connected with the Treasury Department that Mr. Keep is a very rich man and entitled, at any well-conducted bank, to almost any loan for which he would apply. Mr. Keep is now chairman of the board of the Columbia Trust Co., New York. In addition to Mr. Keep's wealth and financial standing, his loan was well secured by collateral.

Mr. Taylor, to whom several loans were made, the principal ones being secured by collateral, was not only a gentleman of such character and standing as secured for him an appointment to the honorable office of Assistant Secretary of the Treasury, but he was likewise a man of fortune, and his credit was such as to have entitled him to even larger accommodations than those he received at our bank.

Mr. Edwards obtained several loans, all except two for small amounts, ranging from \$106.05 to \$750, and the two larger loans were amply secured by collateral. Mr. Edwards also appears in that list as an indorser of a note for \$33,000 made by his wife, and amply secured by collateral. While Mr. Edwards himself was not understood to be a man of much property and would not have been entitled to any considerable accommodation except upon ample security, his wife, Mrs. Margaret J. Edwards, possessed a good property, and that circumstance led us to consider Mr. Edwards perfectly safe for the small accommodations extended to him.

We have thus analyzed the list, and we submit to your sense of fairness that there is not the slightest reason to suppose that any loan embraced in it was made for other than legitimate and honorable business reasons.

Other loans: I have already informed you in part 2 of these hearings of the incomparable record of the Riggs Bank in the matter of the exceedingly few losses ever sustained by it on loans. I showed you that up to 1914, after a period of 18 years, in which it has carried millions of dollars in loans, during which for many years its loans averaged between \$6,000,000 and \$8,000,000, its total entire loss had been, in round figures, only \$40,000. Mr. Williams in his testimony returned to the subject of the James D. Richardson loan, about which I have testified. I have covered it sufficiently and refer to it again purely for rebuttal. Mr. Williams created the impression before this committee by his frequent reference to the character of the collateral upon which the Riggs Bank made loans, that these loans were largely, and I dare say that the impression was, that they were overwhelmingly collateraled by mining stocks. It was natural for you, Senators, to think that there was practically nothing in the Riggs Bank in the way of collateral except mining stock. Throughout the whole hearing you must have become impressed, and when I say you, I mean the entire committee, with the reiterated, the tirelessly reiterated claim, that the collateral behind the Riggs Bank loans was composed largely of speculative mining stocks. Yet the fact is, as known to Mr. Williams and is part of the official record data in his possession, that on June 30, 1914, the date of a response by the national banks to the call of Comptroller Williams, the total of loans in the Riggs National Bank was \$7,508,851.84.

Now, as showing that Mr. Williams had data as to the amount of mining stock collateral in the bank in 1914, by reference to Part 8, page 622, of the hearings before this committee, you will find that according to the tabulation made for Mr. Williams by the bank examiner, the value of all collateral which could possibly be classed as mining stock, amounted to the total \$289,000. Let me repeat the figures: The total loans in Riggs, \$7,508,851.84. Total of mining stock collateral, \$289,000. Of course, an analysis will show that an overwhelming percentage of that \$289,000 represented high-grade, standard, valuable mining stocks. But from these figures you will clearly see that while the impression has been created throughout the country, while the impression was deliberately intended to be created in the minds of this Senate committee, and be conveyed to Members of the United States Senate through this committee, that this bank was in a condition requiring a most vigorous action on the part of the comptroller, with loans hazardous by the fact that the collateral behind them was highly speculative mining stock, the mining-stock collateral in the bank amounted to \$289,000. If every dollar of the \$289,000 of the mining-stock collateral was written off, it would not have affected the stability of the Riggs Bank in the slightest; the unimpaired capital of the Riggs Bank at the time was \$1,000,000; its unimpaired surplus at that time was \$2,000,000; its undivided profits at that time were approximately \$200,000; it was paying out in dividends to stockholders at that time, annually, \$260,000; without touching its surplus, its undivided profits, with a slight addition from one year's dividends, would have made up the \$289,000 which represented all the mining-stock collateral held by the bank.

So deep was the impression that the Riggs Bank collateral was practically all mining stock that when Mr. Williams was discussing the James D. Richardson loan, the following occurred—I refer to Part 8, page 621, of these hearings [reading]:

Senator KEYES. How was that secured—by these mining stocks?

Mr. WILLIAMS. By miscellaneous stocks, and securities of questionable value.

Here was a plain question asked by Senator Keyes at a time when Mr. Williams had in his personal possession data which would have enabled him to have replied truthfully to Senator Keyes. In this official national bank examiner's report, the photostat copy of which I have exhibited to you and now again exhibit, received in the office of the comptroller June 2, 1913, which bears on its face, as I have said before, evidence clearly showing that it has been noted in detail by Mr. Williams himself, this James D. Richardson loan is referred to, and right alongside of the place where reference is made I call your attention to the marks which I tell you were put there by John Skelton Williams [indicating], the collateral which Senator Keyes asked for information about is listed. I read:

\$173,003.71—James D. Richardson: Secured by 1,374 shares Capital Traction Co., worth \$164,880.

Not our appraisalment—the national bank examiner's appraisalment. [Continues reading:]

Secured by 22 shares Murfreesboro National Bank, Tenn., worth \$3,000. Secured by 16 shares Douglas Mining Co. Secured by 300 shares Howard Label Co. Secured by \$10,000 Florida Clay Co. bonds (5s, 1927). Secured by \$30,000 real estate notes John M. Jones.

When the James D. Richardson loan was first placed in the Riggs National Bank the collateral was ample and the margin represented by the market value of the collateral above the loan plentiful. In my previous testimony I told you who Mr. Richardson was and informed you that the shrinkage in the value of the collateral was what ultimately caused a loss on this loan. None of the stocks which Mr. Richardson placed with the bank as collateral for his loan were purchased by him through any officer of the Riggs Bank. You will observe that the first item of the collateral, about which Senator Keyes inquired, is 1,374 shares of Capital Traction stock, which for years sold in this market above par. It has always been one of the highest grade stocks in this or any community. There would have been no loss on that loan had not it been for the shrinkage of such stock throughout the country when it became popular to treat public utilities as stepchildren, and, Senators, Mr. Williams had in his possession the list of the stocks in the Richardson loan collateral, not only in this report of the bank examiner in 1913, but in sworn statements rendered to him in July, 1914, by the Riggs Bank officer, but when Senator Keyes asked him a plain question on that subject, what impression did he leave on the Senator's mind?

Senator NEWBERRY. I would like to ask, for the information of the committee, how much loss was there on that loan?

Mr. HOGAN. Eventually—the comptroller states it in this record as \$18,000. The right figures are \$27,000 odd. And I testified to that loss when here before. Mr. Richardson, you know, died several years ago (see pt. 2, p. 118, Senate hearings):

Mr. Richardson died in July, 1915, * * * and that loan * * * resulted ultimately in a loss of about \$28,000.

The Crocker Bank bond transaction: Now, there has been brought into this record since I was here before and page after page devoted to the subject, the Crocker National Bank's bond transaction, conducted in 1908 by Mr. Ailes. We were written the most scathing arraignment about the transaction by the comptroller, and you have been led to believe here that there must have been something that adversely affected the condition of the bank, and should be condemned. Every Senator on this committee is going to say, when the true facts are understood, that as regards that transaction Mr. Ailes deserves commendation and not condemnation. The facts were these:

In the fall of 1907, October and November, when this country was in the throes of the panic that we all remember, San Francisco was greatly in need of gold. Officials of the Crocker National Bank were very close personal friends of Mr. Milton E. Ailes. Mr. Ailes was at that time employed by both the Riggs National Bank at Washington and the National City Bank in New York, a fact known to Mr. Williams. Early in the panic one of the Crocker Bank officials wired to Mr. Ailes and asked his assistance in disposing of \$500,000 of 4 per cent Government bonds on such terms as would procure gold in San Francisco for the banks there, gold being essential at that place to meet the financial situation. The Riggs National Bank was not in a position to handle the matter. Mr. Ailes took up the question with the National City Bank, New York, and that bank purchased those bonds at the rate of 115, or 15 points above

par; the National City Bank arranged through the United States Treasury officials of the Subtreasury in New York and the Subtreasury in San Francisco for the delivery by the latter to the Crocker National Bank of a half million dollars in gold, and the \$75,000 represented by the 15 point premium on the price of the bonds was deposited to the credit of the Crocker National Bank in the National City Bank. The Riggs National Bank did not invest one dollar in the purchase of these bonds and did not incur one penny's liability on the transaction.

Later on, in the month of November, 1907, finding that the exigencies of the conditions in San Francisco required more gold, and acting not only for itself but for other San Francisco banks, the Crocker National Bank again telegraphed Mr. Ailes requesting him to endeavor to sell a million dollars of Government bonds at that time held by the Crocker Bank. Mr. Ailes again took the matter up with the National City Bank, New York. That bank bought, entirely for its own account, this \$1,000,000 of Government bonds, this time at 110, and arranging, in November, 1907, for the delivery at the Subtreasury of the United States in San Francisco to the Crocker National Bank of \$1,000,000 in gold, placing to the credit of that bank's account in the National City Bank, New York, the sum of \$100,000, representing the 10 points premium at which the National City Bank bought the \$1,000,000 of bonds. Both these transactions by which the bonds were purchased in October and November, 1907. In February, 1908, which you will note was several months after these transactions had been closed, some officer of the National City Bank informed Mr. Ailes, he being an employee of that bank, and was frequently there, that the bonds thus purchased by his bank were being disposed of at a very considerable profit, and that the prospective profit on the entire million and a half of bonds was over \$100,000. Mr. Ailes then requested the officers of the National City Bank to permit the Riggs National Bank to share in that profit. The officers of the National City Bank offered Mr. Ailes a commission of one-eighth of 1 per cent for having negotiated the sale of the bonds to it. You will bear in mind that the Riggs Bank had not bought the bonds, or any of them, and had no intention of purchasing the bonds at the time they were purchased. The Riggs Bank had no ownership in the bonds which it could sell.

The Riggs Bank had not become liable for a single dollar in the transaction. After a considerable number of conferences in January, 1908, when the profitable disposition of the bonds which the National City Bank had purchased the previous fall was made, Mr. Ailes finally succeeded in inducing the National City Bank to agree to divide equally with the Riggs National Bank the profit it was making on the sale of these bonds. The profit turned out to be, in round figures, about \$112,000. One-half of that sum, \$56,000, was remitted in several installments by the National City Bank to the Riggs National Bank. The question arose as to how to handle that money at Riggs. You will see that the Riggs Bank had not bought any bonds and not spent a dollar, had not obligated itself to spend a dollar in the transaction, and had, therefore, of course, no record on its books showing its purchase of, or its ownership or sale of, any of these bonds. An entry showing the receipt of \$56,000

as a profit on the sale of bonds which it had not owned could not very well have been made. The share of the profit of the transaction which the National City Bank thus so generously allotted to the Riggs Bank could not be entered by the latter as commission, because we had been told that it was ultra vires of a national bank to deal in stocks and bonds on a commission. Mr. Ailes and Mr. Glover and Mr. Flather discussed the matter of handling the matter, and as a result of that discussion the remittances as received from the National City Bank were placed to the credit of the Glover and Flather account, about which you have heard so much, in February and March, 1908, and on April 1, 1908, when the then current quarter had ended—six years before Mr. Williams became Comptroller of the Currency—that sum of \$56,000 was transferred from the Glover and Flather account, turned over to the Riggs National Bank, and credited to the profit and loss account of that bank.

The result of this whole transaction was the receipt by the bank of \$56,000 from Mr. Ailes's activities in connection with a matter that the Riggs National Bank had not expended a dollar nor became liable for one cent in. I repeat, those interested in the Riggs National Bank ought to commend Mr. Ailes. When the National City Bank consented to divide its profit on the sales of the bonds it had purchased from the Crocker National Bank in the manner I have endeavored to narrate, it was decided to call the transaction a "joint account." At the time the profit was assured and no loss was possible. All these facts were long ago made plain to Comptroller Williams. And yet, with knowledge of the true facts, he has used the correspondence containing the expression "joint account" to mislead and not to inform this committee, in the record; and in the screed of his dated August 12, 1919, Mr. Williams refers to this Crocker Bank transaction, and you find him in part 9 of the record here as well as in his August 12, 1919, letter, charging that the officers of the bank had deceived their own lawyer, Senator Bailey, regarding the facts, and saying that had the course been adopted which Senator Bailey had stated would have been upheld "in any court of conscience or law," it would have been a "case of embezzlement." (Pt. 9, p. 683.)

Mr. Ailes, who is a gentleman of scrupulous honor, on August 14, 1919, wrote to Mr. A. F. Thompson, who, at the time of the Crocker bond transaction, was in charge of the bond department of the National City Bank, and asked Mr. Thompson for his version of this matter, saying that all he (Ailes) desired was the truth, and nothing more, and, of course, nothing less. In view of the comptroller's statements, I present for the record the letter from Mr. Ailes to Mr. Thompson and the latter's reply:

AUGUST 14, 1919.

Personal.

MR. A. F. THOMPSON,

*Government Bond Department, the National City Co.,
55 Wall Street, New York City, N. Y.*

DEAR TOMMIE: I can not find the memorandum you gave me regarding the Crocker bond deal and would like to have it very much. Comptroller Williams has devoted hours to an attempt, before the Senate Banking and Currency Committee, to discredit this transaction. His allegations are that the Riggs National Bank was interested in and had a joint account with the National

City Bank of New York, whereas in my sworn testimony before a bank examiner during the Riggs controversy I had sworn that the Riggs National Bank had never invested a dollar in the business nor incurred any liability. If you will recall, this business started in the panic of 1907. A part of the transaction was late in October, as I recall it, and a part early in November of that year. Along in February, 1908, you had sold something over half a million of the \$1,500,000 long 4s. These bonds had been purchased by the National City Bank, \$500,000 at 115 and \$1,000,000 at 110. You had put them in your circulation account, and you paid the Crocker bank for them in gold through transfer from the Subtreasury at New York and the Subtreasury at San Francisco up to the par of the bonds. The premium—15 points in one case, or \$75,000, and 10 points in the other case, or \$100,000—you had accounted for the Crocker bank by a credit on the books of the National City Bank, New York, having suspended cash payments.

After you had sold more than one-third of these bonds, in February, 1908, I came over to New York to see if you would not divide the profit in the transaction with the Riggs National Bank, inasmuch as the business had its inception with me. You insisted on allowing the Riggs National Bank, in response to my appeal, a commission of one-eighth of 1 per cent, but I insisted upon an equal division, and Mr. Vanderlip finally sustained my contention in the matter, with the result that letters were passed between the National City Bank and the Riggs National Bank establishing a joint account in which we engaged to assume liability in the event of loss, as well as to share the profit if there was a profit. This was the only piece of banking machinery that could be employed for the purpose of effecting a division of the profits; but in the beginning of the business, as you know, there was no such understanding—that is, in October or November, 1907.

Mr. McEldowney, after you had concluded to divide profits between the National City Bank and the Riggs National Bank, called attention to the fact that in the spring of 1907 I had turned over to you \$150,000 long 4s acquired from the Crocker Bank at about 129 and which you still had in your circulation account. McEldowney insisted that inasmuch as I wanted to share equally in the profit on the larger transaction I should permit you to include in the joint account established in February, 1908, the \$150,000 purchased in the spring of 1907 on which there was a loss of about 10 points. I assented to this, and therefore this amount was included in the joint-account transaction.

All these facts I have told over and over again under oath, and yet the comptroller keeps on harping on the subject as if there were something crooked in it, and he uses the letters which the bank examiner took from the National City Bank and those which were obtained from the Riggs Bank as evidential things to prove that I falsified under oath when I stated that the Riggs National Bank did not invest in the business and did not incur any liability therein. In other words, he has taken advantage of a technicality, since when under oath I had in mind, of course, that the profits were assured beyond any question whatever, as indeed they were.

You wrote me a memorandum two or three years ago in which you substantiated my version of the matter. It was not used at the time and I can not find it now. If you do not have a copy of it in your possession, will you be willing to write me just what your understanding of the matter was? You will understand, of course, that it is the purpose of counsel to use such memorandum in substantiation of my sworn statements. It seems that it is only just to do this. All I want is the truth, and nothing more, and, of course, nothing less.

With cordial regards, very truly yours,

M. E. AILES.

And Mr. Thompson, from the National City Co., on August 16, 1919, writes a letter in which he confirms the transaction being precisely as I have recited it to you here.

(The letter from Mr. Thompson follows:)

AUGUST 16, 1919.

Mr. M. E. AILES,

*Vice President the Riggs National Bank,
Washington, D. C.*

DEAR Mr. AILES: I have your favor of August 14, referring to the transaction in \$1,500,000 United States registered 4s, which I consummated on behalf of the National City Bank with the Crocker National Bank, of San

Francisco, through the Riggs National Bank, during the latter part of 1907. In reply, I wish to say that the statements outlined in your communications just referred to are correct, and I wish to confirm them in all respects. We purchased the bonds in question, \$500,000 at 115 and \$1,000,000 at 110, paying for them in gold and thereafter depositing them with the Treasury Department to secure the circulating notes of the National City Bank of New York. After the currency panic was over and in the early part of 1908, we retired our circulation by a like amount and sold the bonds referred to. After a large part of the bonds had been sold you made a demand on the National City Bank for one-half of the profits just derived, to which arrangement I made strenuous objection, for the reason that I never considered the transaction as a joint one between the National City Bank and the Riggs National Bank; in fact, I thought a commission of one-eighth of 1 per cent to the Riggs was sufficient to pay that institution for its services in the matter. After several conferences, however, between Mr. Vanderlip, Mr. McEldowney, yourself, and myself, it was finally agreed to allow you one-half of the profits, taking into account, however, a loss which had been sustained on \$150,000 additional 4s purchased from the Crocker National Bank at a much higher price and at a previous date.

Trusting this is the information you desire, I am,

Very truly, yours,

A. F. THOMPSON,

Manager Government Bond Department.

In Part IX of the hearings here, pages 682 and 683, you will find that Senator Fletcher asked questions on this subject, and you will find, in view of the facts, now narrated, how perfectly Senator Fletcher, even in his endeavor to help Mr. Williams, was misled by the comptroller.

I call your attention to the fact that the Riggs National Bank got that \$56,000 through the bookkeeping channels I have described to you, on April 1, 1908; that the transaction was an absolutely closed one then; that never again had it any effect at all on the bank or its condition; that the only effect it ever had on the bank was to give it an increase in its assets of \$56,000; that nearly six years elapsed between the final closing of that Crocker bond transaction to the profit of Riggs and the coming into office of comptroller of Mr. Williams; and yet, in public, in court, in correspondence, in his affidavit, and in his testimony here, Mr. Williams has repeatedly misrepresented the whole thing.

Government deposits: Senators, Mr. Ailes is a particularly constant target of Mr. Williams's attacks. It was Mr. Ailes, you know, who went on the board of the Seaboard Air Line contemporaneously with the retirement from that board of Mr. Williams and some of his friends.

When the Riggs Bank brought this equity suit, there was no place where anything about that bank or its officers could be found, which was open to Mr. Williams, that he did not search for material to distort into a defense of his persecution of the bank. So search was made through Treasury records as far back as April, 1903, and there it was found that the Riggs National Bank in that year had a deposit of Government funds which totaled \$3,000,000. Mr. Williams, telling you that he did this for the purpose of showing you the character of "this individual," as he refers to Mr. Ailes, goes back to 1903, and informs this committee that five days before Mr. Ailes retired from the Treasury and became a vice president of the Riggs Bank he succeeded in getting out of the United States Treasury \$3,000,000 and transferring it to the Riggs National Bank, and

Mr. Williams solemnly says that he will not comment on the favoritism thereby displayed. Just very briefly I want to tell you who "this individual" whose "character" Mr. Williams would have you know really is: During President Cleveland's administration Milton Ailes was appointed an assistant messenger of the Treasury Department. The position at that time was nothing more or less than that of a sort of laborer. His work was this: In the summer time to clean out the water coolers and see that they were kept iced for the Secretary and the Assistant Secretary; in the wintertime—in those days coal was dumped at the curbstone on Pennsylvania Avenue in front of the Treasury and the offices of the Secretary and the Assistant Secretaries were kept warm by open fireplaces—and Milton Ailes' work in the wintertime was to go out to the curbstone and bring in baskets of coal, and make up and keep warm the fires in the office of the Secretary of the Treasury. He did that work so well that he was made a messenger. He was such a good messenger that he was made a clerk. He was such a good clerk that he was made a private secretary, and he became private secretary to the Secretary of the Treasury. He was such a perfectly splendid private secretary that the lamented McKinley appointed him Assistant Secretary of the Treasury. And before he left the Government service he was the First Assistant Secretary of the Treasury.

In 1903 Milton Ailes was the second highest officer in the department which, years before, he had entered as an assistant messenger. And he resigned, Senators, penniless. One of the first things he did after resigning was to get from a friend a small loan to tide him over until he could get on his feet. Since he has become one of the best known, one of the most useful, and one of the highly respected citizens of the National Capital.

That is the story of the man whose character is assailed, and not only here, but has been assailed for five years by John Skelton Williams, Comptroller of the Currency.

Prior to 1903 there were very few Government depositories in the District of Columbia. For a time only one national bank had been thus designated, and then for years there were only two. In 1903 Secretary of the Treasury Leslie M. Shaw designated a third, the Riggs. Later on the same Secretary designated, I think, every national bank in the District of Columbia as Government depositories, the purpose being to give a fair distribution and not have Government deposits in a few banks, as had been the case not only here, but throughout the country. The National City Bank of New York had very large Government deposits when Mr. Shaw came in office, and that had come about in this way: In 1898, when we went to war with Spain, the first war loan was \$200,000,000. It is surprising, Senators, in view of recent events, that there was then a fear that we could not float that loan nor raise that much money, and so three banks in New York, the National City being one, underwrote that loan for the United States Government, entering into an agreement with the Government whereby the Secretary of the Treasury was assured that on the day subscriptions closed an announcement should be made that all of the bonds had been taken, irrespective of whether the popular subscription turned out favorably. This, it will readily be seen, was a tremendous help to our Government at that time.

Mr. Williams sought to raise this issue with Mr. Ailes, the latter was prompted to make these photographs of the cover and title page of this book of instructions.

The CHAIRMAN. Before you leave the Riggs——

Mr. HOGAN. I have not left it.

The CHAIRMAN. Oh, you have not?

Mr. HOGAN. No; only Mr. Ailes.

The CHAIRMAN. Oh, I thought you had. Well, inasmuch as I have interrupted you, I would like to call your attention to one matter which was made much of by Mr. Williams in his reply, and it referred to some dummy loans that were made by the Riggs bank, the money being raised for the benefit of the officers of the bank. Will you reply to that incident? I did not know but that you were leaving the subject of the Riggs Bank.

Mr. HOGAN. I will be very glad right now to reply to it, and to give you illustration of what he terms our "dummy loans," and while I am speaking from memory I am sure I can illustrate them thoroughly.

First, there is \$86,500 borrowed in connection with the Navy annex loan, which I have already described, for which Mr. Glover deposited \$115,000 of his personal collateral, and Mr. Nevius made the note, Mr. Glover having directed him to take his collateral, the details of the matter, of course, not being attended to by Mr. Glover. The loan was made, various real estate notes were taken, not by the bank at all, but purchased with the proceeds of that loan.

Subsequently persons who seek investments from Mr. Glover purchased those real estate notes, and the \$86,500 note was fully paid off, and the \$115,000 collateral which had secured it was returned to Mr. Glover. Of course, that loan was on the faith of the collateral altogether.

Second, there is a Henry H. Flather loan referred to as a dummy loan. Mr. Flather's wife was a victim of tuberculosis. He had her at Sarnac in the hope that her life might be saved. Apparently the effort was a hopeless one, and he decided, prior to her death, to go to Sarnac and stay with the little woman, the mother of his only child, until the end had come. He had a relative named Nevius here. Mr. Flather took up his then outstanding note, turned over his collateral to Mr. Nevius and had Mr. Nevius make a note based altogether on Mr. Flather's collateral. It was splendidly collateralized with plenty of margin. The purpose of this obviously was that in Mr. Flather's indefinite absence his business matters could be readily handled for him by Mr. Nevius. The bank loaned the money on the face of the collateral which belonged to Mr. Flather.

Third, is the George H. Felt note, made for the accommodation of Mr. William J. Flather, the amount of the loan being \$17,500, secured by 120 shares of Mergenthaler Linotype stock, worth on the day of the loan \$224 a share, or \$26,880. Mr. William J. Flather frankly told the comptroller that in this transaction the proceeds of the collateral were his, that it was simply an accommodation because he did not like to carry a larger line of loans than he was already carrying, although there was never a time when he was anywhere near the limit that the bank was allowed by the law to loan. The Riggs National Bank could have at that time loaned to any one individual, upon

properly secured paper, \$300,000, and Mr. William J. Flather's loans totaled, as I remember them, around \$60,000.

Those are illustrations of what Mr. Williams calls the "dummy loans."

The CHAIRMAN. There was no claim made of any loss, but two or three of those loans were mentioned as being unwarranted and somewhat suspicious.

Mr. HOGAN. I have given all the facts. First, there was no loss on any. Second, there was never any claim that there was ever any loss on any. Third, every one of them were thoroughly collateralized. Fourth, before Mr. Williams passed his strictures on what he calls "these dummy loans," every one of them had been paid in full and none of them were in the bank at the time of this correspondence, or had been in the bank for a long time previous to his letter of January 22, 1915, on that subject.

Senator NEWBERRY. One of the bank clerks has testified that that had been carried on for a considerable number of years.

Mr. HOGAN. Yes; that is true, as I told you Senator, and I am sure you will recall it, Mr. Glover has a large clientele who seek conservative investments. He has habitually recommended notes secured by first mortgages on improved real estate; for about half a century not a dollar in principal or interest has been lost to the client taking such investments on Mr. Glover's advice; quite frequently he would use his own collateral, as was done in the \$86,500 instance, and use the proceeds of the loan thus collateralized to take on, in his own account, a high-class real estate loan for the ultimate investment of the clientele referred to. Now, what the clerk you have in mind testified to was the making of such a note by the clerk in some such cases. To illustrate, Mr. Glover would say to the clerk, "There is a \$50,000 loan here on a building worth \$100,000, and the Corcoran Art Gallery or the American University, we will say, will shortly be in funds for such an investment, so I will make the real estate loan myself and for the purpose borrow the funds personally," and he would have Mr. Nevius or someone attend to the details, but in he would have Mr. Nevius or someone attend to the details, but in such a case the note was made, not on the faith of my clerk, but on the faith of the collateral mentioned; and in the \$86,500 instance the market value of the collateral was \$115,000, and it consisted of Mr. Glover's very high-grade collateral, and, furthermore, at that time, there was in the vault of the Riggs National Bank, belonging to Mr. Glover, securities having a market value of \$2,000,000.

Senator NEWBERRY. The practice is not one that you would recommend?

Mr. HOGAN. No.

Senator NEWBERRY. Neither would I.

Mr. HOGAN. Neither would I. I never have, but what I have told you the bank officers frankly told the comptroller; the loans referred to had been paid and were out of the bank when Mr. Williams was making his attacks on the institution; and it will be remembered that early in 1914, at the very beginning of the controversy, the Riggs directors wrote Mr. Williams, in effect, "We want to know from you any practice that you say should be stopped, and any reasonable request you make, any legal action you ask us to take we will take it."

That is the whole story. Of course the term "dummy loan" has a sinister meaning in popular parlance, and there never was the use of dummies in that sense of the word in any of these transactions. There never was a dollar lost and there never was a loan that was not thoroughly collateralized by high-grade collateral. It was not a practice of any great running, but it was a thing that from time to time in the peculiar instances I have narrated would happen; and I say again to you, Senators, it is a thing I would not recommend, and when called to the attention of the officers it was a thing not persisted in.

Mr. Williams has testified before this committee that his letter of January 22, 1915, calling for information regarding the loans to officers of the bank was not replied to. It was for the alleged failure to give him the information sought by his communication of January 22, 1915, you will doubtless remember, which caused him to attempt to impose the penalty of \$5,000 upon the bank on March 30, 1915. I insert here the reply of the officers of the bank made on February 1, 1915, to the comptroller's January 22, 1915, letter:

FEBRUARY 1, 1915.

COMPTROLLER OF THE CURRENCY,

Washington, D. C.

SIR: We have received your letter of the 22d ultimo, in which you say that in view of conditions in this bank brought to light by the national bank examiners, etc., you request that we prepare and deliver to your office within 10 days, under penalties provided in sections 5211 and 5213, R. S., a statement showing:

"First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Alles, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

"Second. All indirect, or 'dummy' or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Alles, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole or any portion of the collateral, by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Alles, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them; giving a full description of all notes and of the collateral, if any, by which they were secured; also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, H. H. Flather, M. E. Alles, or Joshua Evans, jr., and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them in each case."

Replying to your first request we beg to say that there was not when your examiners conducted their last examination into the affairs of this bank, had not been for several months prior thereto, has not been since then, and is not now, any loan in this bank to any of the officers named by you. We beg to say further that for more than 10 years past no one of the officers of this bank named by you has ever borrowed one dollar from it except upon ample security, and all loans to them have been fully paid.

The only loan to any member of the respective families of the officers named by you is one to Mrs. Emma A. Flather, wife of William J. Flather, as follows: \$4,506.25, dated April 3, 1914, secured by 50 shares Baltimore & Ohio Railroad stock, 12 shares United States Steel, preferred, \$500 Metropolitan Club 4½ per cent bonds, \$500 Metropolitan Club 4½ per cent bonds (the latter having been added December 24, 1914), and 12 shares Firemen's Insurance Co. stock, added October 26, 1914, the collateral at this time having a market value of \$5,890.

This loan was made to Mrs. Flather upon her own collateral and for her sole benefit.

Replying to your second request, we beg to say that this bank has never made any "dummy" or "concealed" loans to any of the officers named; and we beg further to say that there was not, when your examiners conducted their last examination into the affairs of this bank, had not been for several months prior thereto, has not been since then, and is not now, any loan in this bank made for the benefit of either of the officers you name, or indorsed by any of them, or for which they furnished the whole or any portion of the collateral, or of which they received the whole or any portion of the proceeds.

As the statement which you request would require an examination of all the books of this bank during the 18 years of its existence, thus entailing serious loss of time and diverting the attention of our officers and employees from our current business, and as it could not, except as to the loan to Mrs. Emma A. Flather, a full report of which we have given you above, possibly add anything to your full and complete knowledge of the condition of this bank, for which purpose only section 5211 authorizes you to call for a special report, we decline to furnish it. And moreover, if the information you seem to desire is at all material to the duties of your office, it can doubtless be furnished to you by your examiner, because during the recent examination of this bank by him and his assistants, extending from the 18th of November, 1914, to the 16th of January, 1915, they spent days going over our discount ledgers from the organization of the bank, and an inspection of those ledgers shows that the accounts of C. C. Glover, W. J. Flather, H. H. Flather, and M. E. Ailes were double checked. It is therefore certain that even if those accounts were not literally transcribed, they were, at least, thoroughly examined; and if they were not, our books are subject to your examiner's call at any time, and we will gladly submit them to him.

Inasmuch as we have stated that there are no loans, direct or indirect, in this bank to any of its officers named by you, and no loans for which they furnished the collateral, or of which they received the proceeds, and that none of the officers named by you has borrowed, during the past 10 years, one dollar from this bank without ample security, and that all loans made to them have been fully paid, we comply with so much of your letter as requires this answer to be made under the oath and over the signatures of C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, and Joshua Evans, Jr.

The law under which the comptroller pretended to proceed in the correspondence, in which that last quoted letter is but one, provided in very plain terms that the comptroller has the right to call on national banks for special reports when necessary to give him a complete knowledge respecting the "condition" of the bank.

That is the statute, and the only thing that he was not given when that letter of February 1, 1915, now here set out in full, was written to him was that we did not go back 18 years to dig out of the records closed transactions which did not reflect at all upon the condition of the bank, and could not possibly relate to it, and for the failure to do that he attempted to assess a penalty of \$5,000 against the bank. On this subject of whether or not such inquiries are within the power of the comptroller under a statute authorizing him to obtain special reports relating to the "condition" of the bank, I do not care what judge says in nisi prius opinion on a preliminary motion that the comptroller was acting within his legal power when he sent that sort of a letter, I say that the place to have that decided, because it is a serious question, involving the rights of all banks, was the Supreme Court of the United States; and we were on our way there, but as Mr. Untermeyer has told you, and as Mr. Williams has told you, any bank that goes to a court for a legal investigation of Mr. Williams's power, when there is a difference of opinion between the bank and the comptroller, must forfeit its charter. The going into the courts of the land, in the view of the present comptroller, constitutes a defiance of the comptroller. He brooks no judicial construction of his power. There being no other supervisory power but the court,

the banks and this committee and Congress are on notice from the present comptroller that if a national bank seeks a court construction of any power he asserts the death penalty will be inflicted by the denial of its charter renewal if the charter expires while the court proceedings are pending.

No matter how arbitrary this comptroller may be in his demands, no matter how ruinous may be the penalties he threatens to impose, no appeal can be made to the courts constitutionally provided to determine the extent of and the limitations on the powers of executive officers, because if a bank goes to court it will be denied its continued existence as a national bank when next it applies to Comptroller Williams for charter renewal. He has made that position plain. You have no escape from that. That is his position. What is the United States Senate going to do about it, this citizen respectfully asks.

Failure to examine banks: I recall the attention of this committee to the failure of the comptroller to comply with the mandate of the law regarding bank examinations. The Congress of the United States, although this does not seem to be admitted nowadays in all circles, is still the law-making power of this Government. When the Congress passes a very plain and mandatory provision of law, it is not within the province of an executive officer to say whether it should be followed. The national bank act, as amended by the act of 1913, passed by the House and Senate, says this:

The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners who shall examine every member bank at least twice in each calendar year, and oftener if necessary. (Section 5240, R. S. U. S., as amended Dec. 23, 1913.)

The words "shall be" and the words "at least twice in each calendar year" were put in that statutory enactment by the Congress.

The comptroller's official records show that no national bank in the city of Washington, Riggs excepted, was examined more than once in the entire calendar year 1915; that a number of them were not examined more than once in the year 1914; that out of 14 national banks 50 per cent of them were examined only once in 1916—three years after the law was passed.

Mr. Williams called attention here yesterday to the fact that I had stated that the Federal National Bank in this city had been examined only once in 1916, whereas it had, in fact, been examined twice. I did make that mistake, but what I stated was, of course, on information and belief with regard to that—the chairman of this committee inquired of Mr. Poole, the president of that bank, when he was here regarding this subject, and in part 3, on page 189, the following is found:

MR. POOLE. We had one examination in 1913. We had one examination in 1914. We had one examination in 1915. We had one examination in 1917.

So I should have stated that the bank had only one examination in 1917, whereas I stated that it had only one in 1916, an error merely as to the year in which the law was violated, which year Mr. Poole corrected. The fact is that even as late as 1917 the Federal National Bank had only one examination, and in 1916, 50 per cent of the banks in this district, Riggs always excepted, were not examined as required by the plainest mandatory provisions of law.

The CHAIRMAN. I understood you to say in your original statement to the committee that some of the national banks in Washington were not examined at all?

Mr. HOGAN. No, sir; I said not examined as required by law. A reference to pages 114, 115, and 144 of part 2 of the hearings here will show what I said on that subject, and from the context it is quite clear that the charge I made was that the banks had not received in those years the examinations required by law. Removed from its context one line of my statement on page 115 would give the impression just stated in your question.

The comptroller, responding to the charge I made on this subject, has been compelled to admit his failure to comply with the law, but he gives, apparently as a reason why he did not comply, the excuse that the law was not passed until December, 1913. The comptroller states, however, that prior to the time the law expressly required at least two examinations a year, that as a general rule it was the custom to examine each bank twice each year. Within a few minutes after he had made that statement here before this committee he informed you that it had not been possible to organize the national banking forces so as to instantly and immediately comply with the requirements of the law that I have quoted, and he gives that apparently as an excuse for violating the law for more than three years. Well, if it had been the general rule to examine banks twice a year prior to the enactment of the law requiring that they be examined twice a year, what was the difficulty in continuing that general rule when the law made it mandatory? If the reason the law has not been complied with has been, as Mr. Williams would have you believe, his inability to organize his forces in a period of three years to obey a law passed in 1913, then I submit that you do not want any better demonstration of his incompetency in office. If that is not the reason why he failed to carry out the mandate of the law to examine the banks in this district, if there is some other reason, then is not his misrepresentation of the facts to you a demonstration of his unfitness for office? And, lastly, if his failure to comply with the law was—as it undoubtedly was—the almost constant use of his entire national bank examining forces in the persecution of the Riggs Bank, then is not that a demonstration of his unfitness for office?

So, if what he says is true, that in more than three years he could not organize his office so as to obey the law, I repeat, it necessarily follows as an unescapable conclusion, that he is incompetent for the office of comptroller.

Senator NEWBERRY. Is it possible the examinations given the national banks now are much more complete and require so much more time and more examiners for the work?

Mr. HOGAN. Why, no, Senator; my answer to that is twofold, however. When I called your attention—and I want to call your attention again—to these words of the law, which say that the examiners "shall" examine every bank "at least twice in each calendar year," and provides that they shall be examined oftener if necessary—that there may be four, but never less than two yearly examinations—now, it does not make the slightest bit of difference how

much time that examination takes, the law says plainly what must be done.

The CHAIRMAN. I know, Mr. Hogan, but it might be possible that he might not have an examining force that could possibly do it.

Mr. HOGAN. In three years?

The CHAIRMAN. Possibly there might have been some trouble with the appropriation, getting the money, and the men to do it.

Mr. HOGAN. There was not, Senator, any trouble with the appropriations for national-bank examiners.

Senator NEWBERRY. Did you ever hear of a national bank complaining of the infrequency of the comptroller's examinations?

Mr. HOGAN. I do not know whether they complained or not, but I tell you right now, speaking of the bank I am connected with, the directors would complain; and I tell you what the result of failure to examine in this community has been: In the last two years there was a perfect epidemic of defalcations. One bank in particular—

Senator NEWBERRY. Where were the directors?

Mr. HOGAN. I do not know, as I have no connection with the banks I have in mind, but the directors naturally can not make national-bank examinations. They were probably depending upon two things: A report from the officers and the bank examinations. No director of a bank can very well go to work and examine the bank; it happened, and I will tell you why—

Senator NEWBERRY. I have made an examination four times a year, myself.

Mr. HOGAN. You mean an examination of the bank?

Senator NEWBERRY. Entirely apart from the bank officers.

Mr. HOGAN. That is done by auditing committees of the directors. As to individual directors they may some of them do it, but they usually have committees, of course, to do that.

Senator NEWBERRY. They do it in Detroit, and that is a good place to follow the example of.

Mr. HOGAN. I understand, Senator; and, of course, that practice is followed here; but what I am directing attention to is that in this community we had the strong hand of the examining board taken away from the banks for years; however lax others might have been, the fact remains that that strong hand has been lifted from the banks and the result has been, to use the expression of an assistant district attorney here, "an epidemic of defalcations."

Now, I say that national-bank examinations properly and regularly carried on would help to prevent that. I do not say that they would do so altogether any more than the auditing by director's committee will prevent dishonesty altogether.

Senator NEWBERRY. It would be no excuse for the directors, at all.

Mr. HOGAN. Not at all; not at all; nor is it an excuse for the comptroller. It is as much the obligation of one as of the other. It is no excuse for the Comptroller of the Currency to say, "I paid no attention to what the law told me to do, because I depended on directors." You remember, when Mr. Adkins, one of the comptroller's counsel was here, some member of the committee asked whether a certain thing was not a technical violation of the law,

and Mr. Adkins stated that he did not know what a technical violation of the law was; and the comptroller's position is that there was no such thing in the national-bank law, and that what the comptroller's office commands must be done.

To my mind the failure for a period of three years of the Comptroller of the Currency to make national-bank examinations required by law is a serious matter. He did not report to Congress, mind you, although he is an officer of the Government who wrote reports directly to Congress, and does not send a report to the Secretary of the Treasury that he was not or that he could not make the examinations which the law commanded him to make, or that it was impossible for him to get up an organization to make them. I say that when the Comptroller comes before a Senate Committee—and I am merely expressing my opinion as a citizen—and confesses the fact that for a period of 3 years he did not comply with the plain requirements of the law in that important matter of bank examinations, then a very serious state of facts has been disclosed.

Senator NEWBERRY. Is it not possible he could not get the force? I do not suppose any well-organized firm in the country has the force it should have for its business. That may be a reasonable explanation.

Mr. LOGAN. That might have been true in 1917 and 1918, when the demand was greater than the supply in all walks of life, but in 1914, Senators, men throughout this country walked the streets looking for positions.

Senator NEWBERRY. Not good bank examiners.

Mr. LOGAN. I am not informed as to that. Many competent men sought positions then.

Senator NEWBERRY. Good bank examiners wanted to get positions examining income tax returns.

Mr. HOGAN. That was a little later. Of course, Senator, ever since time began, failure to comply with law has been followed with some excuse. The Senate and you never heard of this persistent failure to comply with the law until I stated it here. There are the annual reports made by the comptroller and there are the annual reports made by the Secretary. If it was impossible to comply with the law, and it certainly was not, because the comptroller tells you himself it had been a general rule always before the law was enacted to do this thing, it should have been made known to Congress and the law amended. I do not know what the views of others are, but speaking for myself, I say that when an executive officer of the Government has a plain mandate of the law before him, he must comply with it or make known to the lawmaking body why he can not comply with it, and not go along over a long term of years ignoring it.

Now, Senators, going on as rapidly as possible over a few remaining subjects, I have noted with some regret that there was included in this record, in part 7, pages 532-533, a letter signed by Mr. R. W. Bolling, produced here by Mr. Williams as an attempted refutation of the testimony of Mr. Poole. In that letter Mr. Bolling says:

I wish very specifically and emphatically to deny a statement by Mr. Poole that I went with him into his private office on the occasion referred to, or on any other occasion and "had a long talk" with him. As a matter of fact, I was never in his office in my life.

There is a rule of evidence that he who testifies falsely as to a fact about which he could not be reasonably mistaken, that permits the ignoring of all of his testimony. However Mr. Poole and Mr. Bolling might differ in their recollections of their conversation, Mr. Bolling could not reasonably be mistaken as regards his statement that "as a matter of fact, I was never in his (Mr. Poole's) office in my life." I produce here a letter dated September 5, 1919, written to the chairman of this committee by Mr. Charles B. Lyddane, informing the committee—I had just better read it to you. [Reading:]

FEDERAL NATIONAL BANK,
Washington, D. C., September 5, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: My attention has been called to a letter addressed to you, signed by Mr. R. W. Bolling, dated July 22, 1919, appearing on pages 532 and 533, part 7, of the report of hearings before the Committee on Banking and Currency of the United States Senate, on the nomination of John Skelton Williams to be Comptroller of the Currency, in which letter Mr. Bolling says: "I wish very specifically and emphatically to deny the statement by Mr. Poole that I went with him into his private office on the occasion referred to, or on any other occasion, and 'had a long talk' with him. As a matter of fact, I was never in his office in my life."

I am cashier of the Federal National Bank at Washington, D. C., and have been an officer of that bank since 1913. I have resided in Washington for approximately 14 years. On January 5, 1918, Mr. R. W. Bolling, in person, brought to the Federal National Bank a United States Shipping Board deposit of \$2,641,566.93. Mr. Bolling did not, as his letter states, stand at the receiving teller's window, but handed the deposit to me at the cashier's desk just inside of the bank's main entrance. While Mr. Bolling and I were standing at my desk conversing, Mr. Poole, of the bank, joined us. Almost immediately Mr. Bolling and Mr. Poole went into the latter's private office, which is located within a few feet of my desk, and Mr. Bolling remained in that office, to my absolute personal knowledge, in conversation with Mr. Poole for a period of time certainly not less than half an hour. From my position in the office I could even see the chair in Mr. Poole's private office in which Mr. Bolling sat.

Yours, very respectfully,

CHAS. B. LYDDANE.

And I produce here letter of the same date, signed by Miss Frances Barber, private secretary to the president of the Federal National Bank, certifying that on January 5, 1918, on that very date, which was a Saturday, there was dictated to her by Mr. Poole a memorandum of Mr. Bolling's visit and what went on at that visit. She certifies in this letter to Senator McLean that this memorandum, typewritten by her at that time, which she attaches to her letter, is a correct transcription of what was dictated:

SEPTEMBER 5, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: I am an employee of the Federal National Bank, occupying the position of secretary to the president. I remember distinctly the day on which there was deposited in that bank for the account of the United States Shipping Board the sum of \$2,641,566.93, the exceedingly unusual size of the deposit and the comment exchanged between the cashier and myself when it was received fixing it clearly in my memory.

On the afternoon of that day the president of the bank, Mr. John Poole, personally dictated to me a memorandum, which I typed from my shorthand

notes, and the original of which, attached to this letter, I hereby verify as being correct and as having been dictated on the date which it bears, namely, January 5, 1919.

Yours, very respectfully,

FRANCES BARBER.

Reserves: You have been told that the Riggs National Bank was short in its reserves in violation of law. The law on the subject of reserves is found in section 51917 Revised Statutes of the United States, which provide in effect for a 25 per cent money reserve, and further provide:

And the Comptroller of the Currency may notify any association (bank) whose lawful money reserve shall be below the amount above required to be kept on hand, to make good such reserve; and if such association shall fail for 30 days thereafter so to make good its reserve of lawful money, the comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver—

for the bank.

There was nothing in the law about "average" reserves for 30 days, because reserves fall down and go up in the most carefully regulated banks.

Comptroller Williams includes in this record a table, which upon superficial examination leads the reader to believe that the Riggs Bank had been on several occasions short for 30 days in its reserve, in violation of law; but careful examination shows that what he has stated is that the bank's reserve did not "average" 25 per cent for the 30 days preceding the date he gives. In other words, he adopts that method to again create a false impression. To illustrate, if the bank on 25 days was over in its reserves* and on 5 days, distributed throughout the month, was under in its reserves, so that the average of the 30 days was, let us say, $24\frac{1}{2}$ instead of 25 per cent, he put that in the record here as a basis for the inference that there was a dangerous failure to maintain reserves, although he perfectly well knows that the law nowhere makes reference to average reserves maintained in a period of 30 days.

This action of the comptroller has the natural result that only by close scrutiny of the tables he produces here is the false conclusion avoided. Also he put that table before the court in the equity proceedings, and when I attempted to meet it by a "counter affidavit" his counsel objected. I shall now insert here the truth on this subject. Mr. Joshua Evans, jr., for a great many years has been employed at the Riggs National Bank and is its cashier now, made an affidavit in the equity case responding to this statement of Mr. Williams regarding reserves, and at the same time responding to others of his charges, which affidavit was filed in court and was material to the case. In it Mr. Evans in plain terms charges that Mr. Williams's affidavit was false, and set forth the truth on the subject. I lay stress on that for this reason: The Attorney General was quoted as having said that the Lammond affidavit and the Glover and Flather affidavit, out of which the perjury case grew, were diametrically opposed to each other, that both could not be true, and that an indictment necessarily must result. I will now show that in this same equity case John Skelton Williams's affidavit on the subject of reserves, and real estate loans, and some other subjects, and Joshua Evans's affidavit on those subjects, were diametrically opposed to each other, and that Mr. Evans, in his affidavit, in express

terms, stated that the affidavit of Mr. Williams was false. If Mr. Evans's affidavit was not true, you need have no doubt he would have long since been indicted, because that affidavit was filed in court; so the conclusion is, and the fact also is, that Mr. Evans's affidavit was true, and no one has ever heard of Mr. Williams having been indicted for having falsely made an affidavit in the equity case.

Mr. Williams has placed in the record of the hearings here his affidavit. I place here before you the affidavit of Mr. Joshua Evans:

IN THE SUPREME COURT OF THE DISTRICT OF COLUMBIA.

THE RIGGS NATIONAL BANK, OF WASHINGTON, D. C.

JOHN SKELTON WILLIAMS, COMPTROLLER OF THE CURRENCY; WILLIAM Gibbs McAdoo, Secretary of the Treasury; John Burke, Treasurer of the United States. } Equity No. 33360.

I, Joshua Evans, jr., being first duly sworn according to law, depose and say: I am assistant cashier of the Riggs National Bank, of Washington, D. C., and have been employed by that bank since its organization as a national banking association.

I have carefully examined Exhibits D (pts. 1 and 2), G, J, and A, appended to the affidavit of John Skelton Williams filed in this cause the 15th day of May, 1915, and submit the following data with respect to the subject matters of said exhibits, compiled under my direction from the records of the Riggs National Bank, which show in some instances the misleading and in other instances the false character of the said exhibits made part of his affidavit by the said defendant Williams:

Part 1 of the defendant Williams's Exhibit D as found on page 55 of the printed copy of the affidavit of said defendant is as follows:

Shortages in reserve on day of report of condition of Riggs National Bank.

Date.	Cash.	Agents.	Total.	Federal reserve bank.
June 29, 1900.	\$46,545			
Sept. 15, 1902.	178,286			
Nov. 25, 1902.	141,161			
Feb. 6, 1903.	66,202			
June 9, 1903.	149,332			
June 9, 1904.	111,722			
Sept. 6, 1904.	2,234			
Jan. 29, 1906.	63,443		\$13,913	
Sept. 4, 1906.	1,850			
Jan. 26, 1907.	40,833			
May 20, 1907.	96,959			
July 15, 1908.	144,006			
Nov. 16, 1909.	15,153			
Jan. 31, 1910.	121,238			
Mar. 23, 1910.	101,018			
June 30, 1910.	234,716	\$129,004	363,720	
Sept. 1, 1910.	4,581			
Nov. 10, 1910.	18,727	182,103	200,830	
Sept. 1, 1911.	7,187			
Feb. 20, 1912.	44,547			
Apr. 18, 1912.	80,529		70,814	
June 14, 1912.	214,292	23,326	237,618	
Sept. 4, 1912.	123,337		109,760	
Nov. 26, 1912.	152,015	237,835	389,950	
Feb. 4, 1913.	178,538	17,835	196,373	
Apr. 4, 1913.	157,009			
June 4, 1913.	503,363		430,719	
Aug. 9, 1913.	282,384	21,130	303,514	
Oct. 21, 1913.	178,801	196,217	375,018	
Jan. 13, 1914.		234,741	211,980	
Mar. 4, 1914.		16,523	14,528	
June 30, 1914.	21,834			
Dec. 31, 1914.				\$16,437
Mar. 4, 1915.				15,092

A true statement of the cash reserves required by law and actually on hand in bank or with reserve agents on the dates listed by the defendant, Williams,

in the foregoing table, with the exception of December 31, 1914, and March 4, 1915, to be noticed hereinafter, is as follows:

	Cash required.	Cash held.	Required with agents.	Agents held.
June 29, 1900.....	\$655,675	\$609,122	\$655,675	\$7,310,442
Sept. 15, 1902.....	823,737	653,501	823,737	1,255,570
Nov. 25, 1902.....	843,137	706,976	843,137	1,433,168
Feb. 6, 1903.....	796,339	729,344	796,339	1,403,736
June 9, 1903.....	747,441	593,060	747,441	1,366,192
June 9, 1904.....	741,997	630,275	741,997	1,199,803
Sept. 6, 1904.....	746,666	743,307	746,666	1,432,740
Jan. 29, 1906.....	742,434	673,991	742,434	791,965
Sept. 4, 1906.....	742,156	740,308	742,156	805,944
Jan. 26, 1907.....	807,743	767,050	807,743	1,073,568
May 22, 1907.....	844,023	746,934	844,023	1,267,428
July 15, 1907.....	705,065	551,004	705,065	2,091,302
Nov. 16, 1909.....	877,892	853,621	877,892	941,486
Jan. 31, 1910.....	835,340	729,541	885,340	1,126,571
Mar. 29, 1910.....	965,177	830,005	965,177	1,204,247
June 30, 1910.....	824,823	744,625	824,823	843,540
Sept. 1, 1910.....	835,991	850,641	835,991	1,100,787
Nov. 10, 1910.....	871,162	852,380	871,162	633,986
Sept. 1, 1911.....	895,205	870,636	895,205	1,014,293
Feb. 20, 1912.....	922,443	865,392	922,443	999,975
Apr. 13, 1912.....	1,037,235	952,894	1,037,235	962,610
June 14, 1912.....	934,770	717,905	934,770	903,571
Sept. 4, 1912.....	795,403	736,661	795,403	942,104
Dec. 26, 1912.....	899,939	862,334	899,939	776,364
Feb. 4, 1913.....	893,263	830,132	899,263	1,040,345
Apr. 4, 1913.....	1,034,885	1,035,706	1,034,885	1,550,345
June 4, 1913.....	1,050,510	716,409	1,050,510	1,309,835
Aug. 9, 1913.....	1,025,163	877,453	1,025,163	1,124,832
Oct. 21, 1913.....	957,827	942,325	857,827	824,903
Jan. 13, 1914.....	1,051,413	1,071,576	1,051,413	814,073
Mar. 4, 1914.....	1,063,965	1,067,039	1,063,965	1,043,571
June 30, 1914.....	1,007,960	992,186	1,007,960	1,260,163

June 30, 1910, the bank had an amount exceeding the required lawful money reserve with reserve agents, and an amount below its required lawful reserve in its own vaults, its total actual reserve shortage on that day being \$56,481 and not \$363,720, as stated by the defendant Williams in part 1 of his Exhibit D. To make the statement of alleged reserve shortage on that date the said defendant improperly computed reserve on \$1,236,000 United States Government funds then deposited with the plaintiff, against which the law does not require the keeping of a money reserve; the actual total reserve shortage June 30, 1910, was less than 1 per cent, whereas the defendant Williams, in his false exhibit, shows the same at more than 6 per cent.

On the dates in the above table thus indicated (xx) the defendant Williams erroneously states the reserve figures by reason of his improper inclusion of Panama Canal deposits, which in virtue of the act of Congress approved August 24, 1912, were not thereafter to be properly included in deposits on which reserve should be computed; on September 4, 1912, plaintiff bank had an excess of \$137,959 over its required reserve; February 4, 1913, it had an excess of \$140,441 over its required reserve; on April 4, 1913, it had an excess of \$516,281 over its required reserve; in three of the remaining four dates thus marked (xx) it was temporarily short its required reserve, as follows: June 4, 1913, short \$74,976; August 9, 1913, short \$47,936; October 21, 1913, short \$48,420; while on December 6, 1912, it was temporarily short in its required reserve \$141,330.

The statement contained in part 1 of the said defendant's Exhibit D to the effect that the plaintiff bank was short in its reserve with the Federal Reserve Bank on December 31, 1914, \$16,437, and on March 4, 1915, \$15,092 does not accord with the facts, which are that on December 31, 1914, the plaintiff bank was required to have in its vaults lawful money reserve amounting to \$447,967, and on said date actually held in its vaults \$813,302; on that date plaintiff bank was required to have on reserve with the Federal Reserve Bank \$223,983, whereas on said date it had on deposit with said Federal Reserve Bank \$222,168, a deficiency of only \$1,815, and not of \$16,437, as stated by the defendant Williams; on March 4, 1915, plaintiff bank was required to have as lawful money reserve in its vault \$485,471, and on that date it, in fact, had in its vault in lawful money reserve \$1,301,890.70; on said date it was required to have with

the Federal Reserve Bank \$242,735, and on that date it had with the Federal Reserve Bank \$243,306, so that on said date it had an excess in the legal reserve required both in its vault and with the Federal Reserve Bank, its total excess over the amount required by law being \$817,090, whereas the defendant Williams conveys by part 1 of his schedule D the false inference that it was short in its required reserve on said date; it will be noted that the excess in the reserve it held on that date amounted to more than the lawful reserve required of it.

Part 2 of the said defendant's said Exhibit D, as the same appears on page 55 of the printed copy of his affidavit, is as follows:

Table showing per cent of average reserve for 30 days prior to the dates of reports of condition of Riggs National Bank.

Date.	Cash.	Agents.	Total.
Sept. 4, 1906.	11.88		
Nov. 12, 1906.	10.85		
Mar. 22, 1907.	11.69		
May 20, 1907.	12.41		
July 15, 1908.	10.80		
Feb. 5, 1909.	11.65		
June 23, 1909.	10.09		
Nov. 16, 1909.	12.40		
Jan. 31, 1910.		11.90	24.80
Mar. 29, 1910.	11.53		
June 30, 1910.	12.09		
Sept. 1, 1910.	11.40		
Nov. 10, 1910.	10.20		24.94
Jan. 7, 1911.	9.77		23.72
Mar. 7, 1911.	9.36		
June 7, 1911.	11.72		
Sept. 1, 1911.	10.77		
Dec. 5, 1911.	11.25		
Feb. 20, 1912.	10.19		24.38
Apr. 18, 1912.	11.60		24.81
June 14, 1912.	9.40		
Sept. 4, 1912.	9.97		24.50
Nov. 26, 1912.	10.31		24.43
Apr. 4, 1913.	11.15		
June 4, 1913.	11.05		23.58
Aug. 9, 1913.	11.55		24.18
Oct. 21, 1913.	10.13		24.53
Mar. 4, 1914.	10.87		24.33

A full and true statement on the subject purporting to be covered by said part 2 of said Exhibit D is as follows:

Date.	Cash.	Agents.	Total.
Sept. 4, 1906.	11.88	15.16	27.04
Nov. 12, 1906.	10.85	14.65	25.50
Mar. 22, 1907.	11.69	16.44	28.13
May 20, 1907.	12.41	16.30	28.71
July 15, 1908.	10.80	27.30	38.10
Feb. 5, 1909.	11.65	30.96	42.61
June 23, 1909.	10.09	19.13	29.22
Nov. 16, 1909.	12.40	12.80	25.20
Jan. 31, 1910.	12.907	11.905	24.812
Mar. 29, 1910.	11.53	14.23	25.76
June 30, 1910.	12.09	13.55	25.64
Sept. 1, 1910.	11.40	17.00	28.40
Nov. 10, 1910.	10.20	14.74	24.94
Jan. 7, 1911.	9.77	13.95	23.72
Mar. 7, 1911.	9.36	22.85	32.21
June 7, 1911.	11.72	16.44	28.16
Sept. 1, 1911.	10.77	14.60	25.37
Dec. 5, 1911.	11.25	16.45	27.70
Feb. 20, 1912.	10.198	14.197	24.395
Apr. 18, 1912.	11.60	13.21	24.81
June 14, 1912.	9.40	16.50	25.90
Sept. 4, 1912.	9.97	14.53	24.50
Nov. 26, 1912.	10.31	14.12	24.43
Apr. 4, 1913.	15.15	14.10	29.25
June 4, 1913.	11.05	12.53	23.58
Aug. 9, 1913.	11.55	12.63	24.18
Oct. 21, 1913.	10.13	14.40	24.53
Mar. 4, 1914.	10.87	13.46	24.33

The foregoing figures were all furnished by the plaintiff bank to the Comptroller of the Currency on the dates above listed, and were of record in his office at the time he prepared and made part of his affidavit part 2 of his Exhibit D.

The plaintiff bank does a large business with Southern correspondents, who at times require, to meet their demand, the shipment of currency, and hence the reserves in its vaults will at times fall below 12½ per cent of its total cash; as it carries a large large part of its lawful reserve on deposit in New York it is always possible, however, by telegraph to order a supply to replenish any temporary deficiency, and seldom does the deficiency exist for more than a day or two. As an illustration of the character of part 2 of the defendant Williams's Exhibit D, it should be stated that for the 30 days ending January 31, 1910 (as to which period the defendant fails to show any entry of the average reserve cash in the vault of the plaintiff bank, but shows an average reserve with reserve agents of 11.90 as against the law's requirement of 12.50), the plaintiff bank was over in its reserve on the 5th, 6th, 7th, 8th, 9th, 10th, 11th, 12th, 13th, 14th, 15th, 16th, 17th, 18th, 19th, 20th, 21st, 22d, 23d, 24th, 25th, 26th, 27th, and 28th of January, 1910. Other periods of 30 days might be taken as illustration, but this suffices.

Referring to the Defendant Williams's Exhibit G, which appears on page 65 of the printed copy of his affidavit, this affiant says that it is true that on May 18, 1914, the total of all of its loans to all of its officers, directors and employees was \$498,125, but it is likewise true that the total loans held by the plaintiff bank as of May 18, 1914, amounted to \$7,746,108.52, so that the total of all of its loans to all of its directors, officers, and employees amounted to only 6.43 per cent of its total loans on said date; it is furthermore true that on that date the 17 gentlemen whose names appear in the third paragraph of the plaintiff bank's bill, on page 9 of the printed copy thereof, were directors of said bank, many of them actively engaged in successful business enterprises requiring and justifying the making of loans.

Referring to Exhibit J to the defendant Williams's affidavit, as the same appears on page 89 of the printed copy of said affidavit, this affiant says that the truth respecting the amount of loans and the existence and amount of overdrafts as of May 18, 1914, of 23 of the 24 borrowers referred to by said defendant, is as follows (the affiant being unable to identify the borrower given as "T," the sixth from the bottom on the defendant's Table J, is compelled to omit the same from the following statement):

Name of borrower.	Amount of overdraft.	Amount of loan.	Value of collateral held by bank.	Name of borrower.	Amount of overdraft.	Amount of loan.	Value of collateral held by bank.
F.....		\$63,890	\$82,155	P.....	\$122.45	\$100,872	\$125,000
F.....		63,500	69,000	P.....	52.88	28,622	53,000
R.....		170,202	170,000	T.....		112,500	209,852
V.....		55,000	78,750	W.....		285,500	428,000
A.....		31,647	29,700	M.....		50,000	67,500
D.....		206,307	241,597	P.....		58,250	70,500
D.....		47,000	71,600	P.....		15,184	45,000
D.....		125,787	252,840	N.....		24,000	29,500
H.....		21,000	42,890	F.....		17,500	24,800
K.....		46,666	57,550	N.....		23,000	31,800
L.....		87,500	108,500				
M.....		72,792	98,000		175.33	1,779,629	2,488,444
M.....		70,000	101,000				

Exhibit A to the defendant Williams's affidavit is false and erroneous in that it purports to set forth real estate loans alleged to have been made by the Riggs National Bank, whereas in truthfulness and in fact, as well known to the said defendant, no loans have been made by the Riggs National Bank on real estate, and the loans referred to by him were such as were incidentally and collaterally secured by notes which in turn were secured upon real estate, which loans were not forbidden by the national bank act, as held by the United States Supreme Court, this affiant is advised and believes, in *Bank v. Matthews*, (98 U. S., 621) the loans so listed having been expressly declared to be lawful and not subject to criticism by the Comptroller of the Currency to national bank examiners in a formal ruling of the Comptroller of the Currency to national bank examiners dated and issued January 11, 1910, a copy of which the defend

ant Williams himself has included in a printed volume entitled "Miscellaneous Letters Relating to Correspondence Between the Treasury Department and Riggs National Bank," volume 3, on pages 77 to 79 thereof.

And further affiant sayeth not.

JOSHUA EVANS, Jr.

Subscribed and sworn to before me this 17th day of May, 1915.

BESSIE B. SHEEHY,

Notary Public, District of Columbia.

On this subject of reserves the Honorable Leslie M. Shaw, being in Indiana shortly after the time I appeared before this committee last July, wired me as follows:

THORNTOWN, IND., July 25.

FRANK J. HOGAN,

811 Colorado Building, Washington, D. C.

When country was on eve of greatest panic ever seen in October, 1907, I took heroic action. Among the remedies was this: I told the banks to use their last dollar of reserve if necessary and I would protect them, exactly as the law plainly authorized the Secretary to do. The law is very clear. No harm can follow encroachment upon reserve except with approval of Secretary of Treasury. This was fully intended by the lawmakers to afford elasticity, exactly as under the Federal reserve act the board may lower the reserve whenever necessary. Had the intent of the law been followed the country never would have had a panic.

Senators, it will be remembered it was because the banks locked up cash that we had the 1907 panic. Reserves in a bank are like reserves in a police station, to be used when they are needed. There was never a time in the entire history of the Riggs Bank when there was more than a temporary depreciation in reserves, and that was always to meet the legitimate banking requirements of their correspondents. There was never a time in the history of the Riggs Bank when reserves were short, even a fraction of 1 per cent, for a period of 30 days, as forbidden by law.

Directors' oaths: Mr. Williams has said in this record, and he stated here this morning, repeating again, that there were several cases where the directors of the Riggs National Bank were found not to have complied with the law on the subject of oaths of directors. I will not characterize that statement further than to say that it is just simply untrue. In the entire directorate of 18 members the only instance, and that by oversight, where a director had pledged the 10 shares of his stock which he should have kept unencumbered was Mr. Frank Henry. No other director had ever overlooked that requirement of law. Mr. Milton E. Ailes had never failed to make a correct certificate when he qualified as a director. All that a director is required to do on that subject is to make oath that he has 10 shares of stock unencumbered, and at no time was Mr. Ailes or any other director, except Mr. Henry's certification and affidavit on that subject, improper or incorrect. There was standing in Mr. Ailes's name quite a large block of shares of stock which he had transferred to the other gentlemen who had purchased Riggs stock at the same time Mr. Ailes had purchased and some of them had not presented certificates for transfer on the books of the bank and therefore the books carried Mr. Ailes as owning a certain number of shares of stock, but Mr. Ailes had never made any statement under oath or otherwise that was not perfectly true; and when, in January, 1915, or in December, 1914, Mr. Williams intimated the contrary, Mr. Ailes replied to him, and gave him the truth, and as he has in-

serted his letter, I insert Mr. Ailes's letter of January 2, 1915, in the record:

JANUARY 2, 1915.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

SIR: In your letter of December 29, 1914, to the Riggs National Bank you say, among other things:

"Director M. E. Ailes states that his ownership of stock in the Riggs National Bank at the time that he took the oath as director, January 15, 1914, consisted of certificate No. 607 for 100 shares and No. 661 for 10 shares of stock, and yet it appears that Mr. Ailes swore before a notary public on January 19, 1914, his holdings amounted to 1,117 shares; that on March 10, 1914, he swore before a notary public that the stock owned by him on March 4, 1914, amounted to 1,117 shares; that again on July 8, 1914, he again swore to the ownership on June 30, 1914, of 1,117 shares. On September 16 it appears that he made similar oath before a notary public as to ownership of 1,117 shares on September 12, 1914; and that on November 6, about three weeks before his letter of December 1, he again swore before a notary public that he owned on October 31, 1914, 1,117 shares.

"Please request Mr. Ailes to explain at once these apparent discrepancies in his sworn statements, the difference involving the ownership of more than 1,000 shares of the stock of the Riggs National Bank."

In the above-quoted paragraph you are evidently referring to the five "statements of condition" of this bank made during the year 1914, which statements, as required by the national bank act, were verified by the oath or affirmation of the president or cashier and attested by the signature of at least three of the directors. My function as a director as to "attest," and I took no oath, either before a notary public or anyone else, of any kind whatsoever.

The cashier of the bank correctly reported the number of shares of stock in the Riggs National Bank standing in my name, as shown by its stock book. It was his duty to report ownership as shown by the books, and it was my duty as a director to "attest" that his transcription had been correctly made.

There were, on the dates given by you in the above paragraph, 1,117 shares of the capital stock of the Riggs National Bank standing in my name. Of these, 110 shares belonged to me in my own right, as stated by me under oath in my letter to you dated December 1, 1914, and the remainder had theretofore been duly and properly assigned, but the parties to whom they belong have not had them transferred on the books of the bank to their own names.

Respectfully,

M. E. AILES.

Now, the reason that I asked for the production before this committee from the comptroller's files of communications on the subject of directors' oaths to any other banks in the city of Washington was this: He did make these inquiries of other banks in this peculiar way—prior to the passage of the law which gave the Federal Reserve Board the right to designate what banks were competitive, so that members of one bank board should not be on the other bank board. Mr. Ailes was a member of the Bank of Washington board, as well as of the Riggs National Bank board, and Mr. Flather was a member of the American Security & Trust Bank board, as well as the Riggs Bank board. When Mr. Williams wrote the letter requiring each member of the Riggs board of directors to send in a sworn statement as to whether or not he had ever violated his oath as director he wrote to the National Bank of Washington and to the American Security & Trust Co. to ask them for a report from their directors as to the stock which they owned when they qualified. He was not interested in that, but to ask them for a report from such of their directors as were also directors in any other national bank in Washington, to report the number of shares of stock owned when they took their qualifying oaths.

The reason he did this was that Mr. Ailes was a director on the Riggs Bank board and also a member of the board of the National Bank of Washington, and Mr. Flather in addition to being a member of the Riggs Bank board was a member of the board of the American Security & Trust Co. The records of his office will not show that he wrote any such letters to any bank or trust company in Washington on the board of which there was not a gentleman who also happened to be a member of the board of the Riggs Bank. When I requested this committee a few days ago to have Mr. Williams produce before it any letters written by him to other national banks in Washington on the subject of oaths of directors, it was for the purpose of having before you from the official records themselves, evidence of his continual discrimination practiced only against Riggs Bank and its personnel. Of course he has failed to produce any communications to any national bank in Washington except when he was "reaching for" the directors of the Riggs Bank.

Senator Frelinghuysen asked me whether or not the account of Mrs. C. C. Glover was overdrawn in March, 1915, when Comptroller Williams wrote the bank commenting on the fact that at the time of the national bank examiner's report in 1913 there was an overdraft in that account amounting to \$6,000. I hereby present the original ledger accounts of Anna [Mrs. C. C.] Glover, and of C. C. Glover. They show that at no time in 1915, when the comptroller's letter was written, was that account overdrawn.

I have testified here before that, as was well known to the bank examiners and to everybody in the bank, the Anna C. Glover account was a housekeeping account of Mrs. C. C. Glover. Mr. Williams, on page 612, part 8 of these hearings, sweepingly says as regards the knowledge of others that both of these were Mr. Glover's accounts:

I did not know it, nor did the examiners know it, nor anybody in the bank know it, nor do I believe it was true.

That is characteristic. I present here now the ledger sheet. I think you will see entry after entry showing from time to time the transfer from the C. C. Glover account of moneys to the Anna C. Glover account, indicating by the bookkeeper putting the initials "C. C. G." and then the amount transferred. I repeat the fact that these were both Mr. Glover's accounts, and that the one on which Mrs. Glover drew checks was simply the housekeeping account, was known throughout the bank. I repeat, it was made known to the national bank examiner, and was part of the information in the comptroller's office, and I repeat that the C. C. Glover account showed a balance of more than \$26,000. Lastly, I repeat, that the point is, that approximately two years after the matter had been reported, for no purpose whatever except that of slurring, at a time when there was no overdraft whatever on the account, Mr. Williams wrote his comment on that subject.

Real estate loans: Again and again there is repeated here the charge that the Riggs National Bank made real estate loans. I refer you to the affidavit of Mr. Joshua Evans, jr., already inserted in this record, on that subject. You will find in the volumes of correspondence repeated sworn statements made by the officers of the bank which show that never from the date that the Riggs Bank became a

national institution did it make a real estate loan. True, in the correspondence back of 1909 between the bank and comptroller certain loans are referred to as real estate loans, but, as has already been shown, this was due to an error in the comptroller's office in classing as real estate loans loans which were in fact personal but in connection with which the borrower had given as collateral notes which he owned and which in turn were secured on real estate. Comptroller Murray, in the light of a decision of the United States Supreme Court, ruled that the practice of the office on that subject had been erroneous. Mr. Kane, now and for many years deputy comptroller, can tell you that the present rulings of the office of the comptroller are that such loans are not real estate loans, and that the office now rules that they are in no way in contravention of law.

Excess loans: This matter, repeatedly referred to by the comptroller, can be dismissed with the statement that never from May, 1906, down to the time Mr. Williams went into the office of comptroller in 1914 was there a single, solitary, single excess loan in Riggs Bank. He can not produce one letter from any comptroller to the Riggs Bank so stating.

Prior to 1906, as you well know, the law permitted loans only up to 10 per cent of the bank's capital, regardless of its surplus. The comptroller's office had a regular form to be sent out following each bank examination on the heading of which was printed the words "Excess loans" so general were such loans carried, always subject, however, to the liability of the bank's officers if they were not safe. In June, 1906, Congress passed a law providing that loans should not exceed 10 per cent of the capital and surplus, and never since that law was passed has there been, or has there ever been intimated that there was, excess loans made by Riggs National Bank. How far-fetched it is for Comptroller Williams to tell you that one of the reasons for his conduct toward the Riggs National Bank in 1914 to 1916 was that under the old law prior to 1906 there had been some excess loans in the bank.

Telephone and telegraph wire connections between the Riggs National Bank and bankers and brokers: Under subject of telegraph and telephone wires connecting the Riggs National Bank with other banks and with brokers' offices, the record has been clouded, though the facts are not only clear, but were fully known to Comptroller Williams. The whole truth on that subject, as well known to him, is as follows:

June 19, 1914, Comptroller Williams directed the Riggs National Bank to inform him "under oath," whether or not it was true that the Riggs National Bank has a private telegraph line connecting it with a brokerage house or houses in New York. To this inquiry Mr. Glover, the bank's president, under date of June 22, 1914, promptly and truthfully responded:

I reply that there is in the Riggs National Bank a telegraph instrument which is connected by means of a wire loop with the office at 729 Fifteenth Street NW., this city, of James B. Colgate & Co., bankers and brokers, which office in turn undoubtedly has wire connection with their office in New York City. This instrument is maintained and operated at the sole expense of the National City Bank of New York, and is used for the purpose of quick communication with that bank on matters of mutual business interest. It is not and has not been used for the transmission of orders for the purchase or sale of stocks or other securities on the New York or any other stock exchange. Through courtesy,

Colgate & Co. have accepted and delivered messages to and from the National City Bank of New York, at its or our instance, involving the sale to that bank or the purchase from it of United States and other bonds such as are accepted by the United States Treasury against public deposits. None of these transactions has been with brokers, but with the National City Bank only. The business to which your inquiry seems to relate, namely, the making of investments for our customers through the medium of brokers on the New York Stock Exchange, or elsewhere, is transacted by telephone, and orders therefore are given to any one of several local representatives of New York Stock Exchange houses. These telephones are maintained by the brokers themselves without expense to this bank.

It will be noted that the foregoing information was given Mr. Williams under date of June 22, 1914. The very next day, June 23, Mr. Williams came back at the bank with a long characteristic letter, opening with the words, "I received yesterday afternoon after 5 p. m. your president's letter of the 22d inst.," and transmitting to the bank in quadruplicate a list of interrogatories, 16 in number, with a demand that all the four officers answer "these interrogatories under oath before a notary public," and further, that "replies to such other inquiries as may be contained in this letter be also made under oath and signed by each of the aforesaid officers of the Riggs National Bank." He followed this on June 29 by advising the bank that a penalty of \$100 per day was imposed on it for each day's delay in replying to these interrogatories of his, which penalties, he took care to advise the bank, were "in addition to fines heretofore imposed, as per previous letters." His interrogatory No. 12, together with the answer made and sworn to by each of the four officers of the Riggs Bank to that interrogatory, were as follows: -

Question 12. Please give the names of brokers who maintain at their expense private telephone connections with your bank, and state generally for what purposes such connections are maintained.

Answer to interrogatory No. 12. James B. Colgate & Co. and Lewis Johnson & Co., at their request and at their expense, maintained and do maintain private telephone connections with offices of the Riggs National Bank. These connections are maintained generally for the purpose of enabling our officers to give orders to said brokers to buy or sell stocks, bonds, and other securities on behalf of those of our customers who request us to do so and to get information and reports on stocks, bonds, and other securities for the benefit of the customers who may desire our officers to obtain such information for them.

That is the whole truth regarding the subject of telephone and telegraphic connections with the Riggs Bank of which the comptroller has sought to make so much. The officers of this bank, like the officers of banks generally, have always assisted customers in the matter of their investments. I have quoted the record. Anyone reading it will appreciate the animus that must have directed an effort to distort out of the foregoing facts anything of an improper nature.

Penalties: The comptroller has insisted before this committee that the only penalty he subjected the Riggs National Bank to was that amounting to \$5,000, which he sought to collect on April 1, 1915, by directing the Treasurer of the United States to withhold the sum of \$5,000 due the bank as interest on its Government bonds. Again Mr. Williams's efforts now to convince this committee that he imposed no other penalties against the Riggs Bank, I lay before you the following quotations from his own language in communications addressed by him to the bank.

On June 15, 1914, he said:

Please take notice that for failing to make and transmit to this office the special reports called for in the letter from this office of the 9th instant, * * * you will be subject to a penalty of \$100, for each day, from this date, inclusive, that your bank delays to make and transmit the reports called for.

On June 19, 1914, Mr. Williams wrote the bank:

I confirm the statement contained in my letter of the 15th instant, as above quoted.

On June 23, 1914, he said:

I note with regret that you apparently do not appreciate the justice of the fine of \$100 per diem which has been imposed, as per my letter of June 15, from and including that date, for each day's delay in furnishing certain information which had been called for.

On June 29, 1914, he said:

Your omission to furnish the information called for over your president's signature, therefore, subjects you to the imposition of a fine of \$100 per diem from this date for this delay, in addition to fines heretofore imposed, as per previous letters.

On June 29, 1914 (the same date), he informed the bank:

Under sections 5211 and 5213 you will also be subject to further penalties for delay in supplying reports which you have also been called upon to submit over the signatures of other executive officers of your bank.

On August 31, 1914, he stated to the bank:

You have not furnished the special reports and statements called for, and you are hereby notified that you are now liable for the per diem penalties provided in the statute as to each one of the several statements and reports called for in my letter to you of August 18 and also in my letter of the 25th instant.

November 19, 1914, Mr. Williams wrote the bank:

Again reminding you of the penalties which you have incurred and are incurring * * * I again call upon you to furnish immediately the special reports and statements referred to in my letters of August 31, August 25, and August 18. Let this information be furnished under oath, over the signatures of your president, your two vice presidents, and your cashier.

December 5, 1914, he said, "You are hereby notified that in accordance with the terms of sections 5211 and 5213 of the Revised Statutes you are subject to a penalty of \$100 per day for each day that you withhold the reports which you have been called upon to furnish," referring to data which he had in recent letters required, in addition to the volumes of data which for more than six months were being sent to him.

February 11, 1915, he had Deputy Comptroller Kane write the bank, saying:

The comptroller desires me to notify you that for your refusal to furnish to this office the report called for in the letter from the Comptroller of the Currency on the 22d ultimo, you are liable for a continuing penalty of \$100 per day, as set forth in the letter of the 22d ultimo, above referred to.

On March 9, 1915, he wrote a letter demanding additional information and advised the bank that it was a "continuing penalty."

On March 30, 1915, in informing the bank that in one instance alone, that which was based on his letter of January 22, 1915, he called upon it for penalties amounting to at this time \$5,000, he said: "The \$5,000 assessment imposed as above stated is in addition to all other penalties which you have incurred and are incurring," and

Senators, the foregoing quotations are from the language of the public official who now tells you that there was but one fine against the Riggs Bank. Why, sirs, in the very teeth of his present denial is his own language of September 24, 1914. On September 16 the Riggs National Bank, having naturally become concerned by Comptroller Williams' reiterated statements that there had been imposed upon it penalties in the sum of \$100 per day for numerous alleged failures to reply precisely as he demanded to his endless series of letters, transmitted to him a resolution of its board of directors, in which it was "*Resolved*, That the Comptroller of the Currency is respectfully requested to inform this board with exactness whether he has undertaken to impose any penalties upon this bank under the provisions of said section. 5211 and 5213 of the Revised Statutes, and, if so, the dates, etc.," and on September 24 Mr. Williams responded to this respectful request for information in the following words: "In reply to the request in your letter of the 16th instant that I inform you whether this office has undertaken to impose any penalties under the provisions of sections 5211 and 5213, Revised Statutes, the dates and causes for said penalties, etc., you are referred to my previous letters and the record, which clearly set forth the position and intentions of this department in the premises."

As I have heretofore testified, taking his own statements as a basis for calculation, at the time the bank's equity suit was filed expert accountants figured that the total of these accumulated penalties had then reached \$160,000, and that they were continuing on the basis of "the position and intention of this department," as stated by Mr. Williams himself, at the rate of \$1,600 per day. He now denies that the bank was subject to any but one penalty, a denial that is interesting in view of his September, 1914, statement that his "previous letters and the record," which are as above quoted from, "clearly set forth the position and intentions" of his department as regards the penalties.

Senator NEWBERRY. Is there any possibility that he said "assessed" instead of "imposed"?

Mr. HOGAN. Oh, Senator, that is the loophole through which in this hearing he has sought to crawl. In his letter of March 30, 1915, and now before this committee, he uses that word "assessed." As you will observe from his correspondence, he uses the expressions "imposed" and "accrued" and "accruing" and "subject to" and "continuing." After nine months advising the bank that penalties had been imposed upon it, he now says, in fact, that his "previous letters and the record" did not, as he had asserted, "clearly set forth the position and intentions of the department in the premises," and that the only word that was effective is that word "assessed"—and that is what has now been suggested to you.

The CHAIRMAN. Is that word "assessed" in the statute?

Mr. HOGAN. Yes, sir; in this sense: The statute provides that for any failure to render certain classes of reports, specified in the statute, the bank so failing "shall be subject" to a penalty of \$100 per day, and that upon the failure of such bank to pay the penalty "herein imposed," after it has been "assessed" by the comptroller, the amount may be retained upon order of the comptroller out of interest due the bank on bonds. In that sense the word "assessed" is used in the statute.

The CHAIRMAN. I assumed it was.

Mr. HOGAN. The Riggs Bank application for renewal of charter. I will detain you only briefly on a point which the comptroller says was so small and trivial that Mr. Darlington was hard pressed when he called the committee's attention to it. The comptroller required the bank to submit two applications for the renewal of its charter because the first application, which was dated May 23, 1916, requested that the charter be extended until June 27, 1936, which Mr. Williams said was an application for the extension for "20 years and 1 day," whereas the application should be for "an extension of 20 years only." When I advise you of the trouble he thus put the bank authorities to, refusing even to follow the Supreme Court decisions in the matter, you will understand why Mr. Darlington referred to it.

The application for the extension of the charter of a national bank has to be voted on by the stockholders, not by the directors, and the stockholders of the Riggs Bank were scattered in various parts of the country. This was more than usually true when he called attention to this one-day question after the middle of June, when many of the stockholders who reside in Washington had left for the summer. Mr. Williams absolutely insisted that the whole matter of getting the action of the bank's stockholders on the application for an extension of its charter be repeated, simply because, as he said, and erroneously said, the application was for "20 years and 1 day," whereas it should have been for "20 years only." He is right when he now describes that thing as trivial and small. It was small. It was petty. But it was the smallness and pettiness of Mr. Williams, not of the bank or of its officers. We were compelled to go back to the stockholders, communicate with them throughout the country, and get up a new application; and although the law laid down by the United States Supreme Court, that in computing time you omitted the first day and included the last day, was brought to the attention of Mr. Williams by Mr. Darlington, he received from the comptroller the response in substance that that made no difference to him because the practice of his office was to count the day of the charter's date, a statement that is shown to have been unfounded by the records of his own office on the extension of the charters of the following Washington banks: National Bank of Washington, Second National Bank, National Metropolitan Bank, as well as banks throughout the country, some of which received their charter extensions the very month in 1916 when the Riggs Bank made application for a renewal of its charter.

I do not know how many times in the record of the hearing here, but over and over again Mr. Williams repeats in his testimony the statement that in the equity case Judge McCoy in an interlocutory decree said that there was no evidence of malice on his part; and in a letter to you, Mr. Chairman, of August 12, 1919, in which the comptroller, with characteristic modesty, conveys the information that he is quite the most superior comptroller this country has ever had, he states that "I have heretofore given you the language of the court, declaring emphatically that there was no evidence of conspiracy or malice on the part of the Secretary of the Treasury or the

Comptroller of the Currency * * *." Well, I can dispose of that point entirely by referring you to what actually occurred, as shown by the equity record. The statement that there was no "evidence of malice" might accurately be broadened into a statement that there was no evidence in the case at all. It never reached the point where evidence was taken or was admitted. It was heard, I repeat, on preliminary motions and ex parte affidavits. The following will dispose of this matter as to whether there was "evidence of malice" once for all. The court, in colloquy with counsel, had made the statement upon which Mr. Williams relies, and on May 22, 1915, while I was addressing the court on that subject, the following transpired. I refer to pages 669 and 670 of the equity record. [Reading:]

Mr. HOGAN. Your honor knows from the illustration I gave you here that there are five hundred and twenty and odd pages of the correspondence between the bank and the comptroller. At the time the bill was written there were 503, and it is so alleged. Your honor knows that the bill is within, I think sixty-some pages, and therefore that there has only been general characterization of the character of the actions of the comptroller. If we come to the merits of this case and display, as in the evidence we will have to display, and which it would not be proper to display in our bill, these fifty or sixty odd letters from the comptroller, taking up the bulk of these 520 pages, then and not until then would it be possible for the justice presiding in this court and in this case to say whether or not there is in that correspondence that which shows bad faith, arbitrarily abuse of power, and malice on the part of Mr. Williams.

The COURT. That is true on the merits, but I am called on to pass upon what is before me now.

Mr. HOGAN. Exactly.

The COURT. What I said—and I adhere to the statement—is that to me, there is absolutely nothing here to show bad faith on this record.

Mr. HOGAN. No; I will concede that. The charge is there, and the evidence naturally would not be in the record.

The COURT. No.

Of course, it was not in the record; there was nothing in the "record" of evidence in that case; we were never able to reach the point where the case was tried and evidence put in the record, and you know why—because you know how its dismissal was forced. So how can any intelligent person talk here to you about a court that had never heard any evidence deciding that there was no evidence of malice? And, of course, when this fact was called to Judge McCoy's attention he had to say he was not deciding the case on its merits, and that at that stage of the case "evidence" could not properly be in the record.

While I am on the subject of malice, there quite naturally comes to my mind Comptroller Williams's persistent attitude, to which I have heretofore called your attention, toward Mr. George G. Hill, a newspaper correspondent of high standing, who has so often been mentioned in the record. Even as regards this, which is, of course, a collateral matter, we find Comptroller Williams before this committee endeavoring deliberately to create a false impression, an endeavor which was not successful in view of questions which you propounded, Mr. Chairman. I only take up your time with this matter of Mr. Hill because ordinary decency and fairness requires that the attempt to besmirch him should not be permitted to stand unanswered.

On page 578, volume 7, of this committee's hearings on the nomination of John Skelton Williams, the latter was referring to

George G. Hill, and the record shows that the following occurred. [Reading:]

Mr. WILLIAMS. * * * Mr. Hogan praises Mr. Hill and proceeds to read into the record a letter from Mr. Root; but I call your attention to the fact that Mr. Hogan omitted to read into the record a letter from Mr. Hill's former employers, the New York Tribune, who were familiar with his work and who saw fit to dispense with his services. A letter from the Tribune would perhaps have been more significant than a letter from others who may never have employed him.

The CHAIRMAN. Have you got any such letter? Do you know anything about any such letter?

Mr. WILLIAMS. From whom?

The CHAIRMAN. The Tribune, dismissing him.

Mr. WILLIAMS. I do not.

The CHAIRMAN. Well, do you mean to insinuate that they dismissed him—

Mr. WILLIAMS. I mean to say that he separated from them soon after this incident.

The CHAIRMAN. Oh, well—

Had it not been for your questions, Mr. Chairman, the statements of the comptroller would have left the impression, entirely false, as I will show you, first that there was in existence no such letter as he referred to from the New York Tribune, as he did leave in the record the equally false impression that there was any connection between the resignation of Mr. Hill as correspondent of the New York Tribune and the articles which Mr. Hill, in the course of his employment as the Washington correspondent of that paper, wrote to the Tribune in 1913 with regard to certain official conduct of John Skelton Williams.

First, on the subject of the letter from the Tribune, I present herewith a letter from Mr. Clinton W. Gilbert, a member of the Senate Press Gallery, who was assistant editor of the Tribune, with full jurisdiction over that newspaper's Washington bureau at the time when Mr. Williams intimates Mr. Hill was dismissed by that newspaper because of his articles about the comptroller. It is only necessary to present the letter. It so completely meets the situation that comment can add nothing.

(The letter referred to by Mr. Hogan is as follows:)

UNITED STATES SENATE PRESS GALLERY,
Washington, D. C., August 14, 1919.

Mr. GEORGE G. HILL.

DEAR SIR: I was assistant editor of the Tribune at the time when your articles on the Munsey-United States Trust Co. merger were printed and at the time about a year later when you resigned from the Tribune, and I am pleased to say in writing what, of course, you already know, that any statement that there was any connection between the two is wholly untrue.

As I had full jurisdiction over the Washington bureau during this entire period, I am in a position to speak with entire authority.

Sincerely, yours,

CLINTON W. GILBERT.

As regards Mr. Williams's statement that Mr. Hill separated from the New York Tribune soon after the incident of writing the articles which were published in that paper about the comptroller, the truth is interesting: The Tribune articles were published in December, 1913. Mr. Hill was Washington correspondent of the Tribune until October 15, 1914. That does not look like he "separated from them soon after the articles were published." Though that is a sufficient answer to Mr. Williams's statement, it is fair to add that in the mean-

time, as an evidence of appreciation by the Tribune of the character of Mr. Hill's services, he was, subsequent to the time he wrote the articles criticizing Mr. Williams, assigned, in the summer of 1914, to the most important newspaper assignment in this country, namely, to report for the New York Tribune and the London Times the Mexican mediation conference at Niagara Falls, Mr. Hill being the sole correspondent of those two important newspapers assigned to that work. And not until the fall following did he resign from the Tribune, and the absolute lack of any connection between his separation from that newspaper and the Williams's articles is clearly evidenced by the letter from Mr. Gilbert which I have just read to you.

One more word about Mr. Williams's persecution of George Hill and I am through with that subject. The comptroller occupies nearly two pages in your record (vol. 8, pp. 581-583) by inserting one of his long, characteristic letters, written December 30, 1918, to the managing editor of the Boston Evening Transcript, with which paper Mr. Hill was then and is now connected. It is impossible to read that letter without reaching the conclusion that he hoped by writing it to "separate" Mr. Hill from that employment. It is unnecessary for me to say, gentlemen, that, as you are fully aware, the Boston Evening Transcript is one of the oldest, most reliable, conservative, and honorable newspapers in this country. To that paper Mr. Williams wrote a characteristic letter about Mr. Hill—

Senator NEWBERRY. Which Mr. Williams—Editor Williams?

Mr. HOGAN. No; not the Mr. Williams who is editor of the Transcript, but John Skelton Williams. The editor of the Transcript duly investigated the charges thus presented to him by the comptroller, and the result is—Mr. Hill still retains his same connection with the Boston Transcript that he then had.

Comptroller Williams invites the committee's attention to what he describes as propaganda in newspapers adverse to his further retention in public office, and he slurringly refers to the newspapers publishing articles against him as "unimportant country newspapers." My own opinion is that country newspapers are exceedingly important mediums of information and education in this land of ours. Mr. Williams, unable to refrain from charges against Mr. Hill, says that while he has not yet learned definitely that Mr. Hill wrote the articles about which he now complains, there is a strong suspicion that Mr. Hill did write them. Well, Mr. Hill is here in this room, and I will ask him to answer it. Mr. Hill [addressing Mr. Hill in the committee room], in the year 1919, during the time these hearings had been going on before this committee, were any of the editorials or newspaper articles which have been inserted in this record by Comptroller Williams written by you, or were you directly or indirectly concerned in their writing or their publication?

Mr. HILL. No.

Mr. HOGAN. You were not?

Mr. HILL. No.

Senator NEWBERRY. Mr. Hogan, do you care to take up the causes that led up to the resignation of Mr. Flather, the cashier of the Riggs Bank?

Mr. HOGAN. Yes, sir; I have that on my notes here.

Senator NEWBERRY. I wish you would clear up my mind about that, and also whether or not those slips that were put on the spindle in connection with the Johnson matter had anything to do with it.

Mr. HOGAN. I will do that right away. That, Senators, brings me to the exploded but constantly repeated charge against Mr. Henry H. Flather, always repeated, however, under conditions that prevent Mr. Flather from having a legal remedy for the libel that is thus committed. Mr. Henry H. Flather was an employee and officer of the Riggs Bank for 27 years. He was born in this city and lives here to-day. While with the bank he handled millions and millions of dollars of the money of the bank's depositors and correspondents. Despite the most searching auditing of his accounts there was never one dollar of shortage or any kind of criticism with respect to his honest and honorable handling of those funds. You have been led to believe that Mr. Flather resigned because he had been indicted. That is not true. His resignation was prior to the indictment. As to what brought about that resignation, as the resignation was written in my office, as I arranged that matter alone, discussed it with Mr. Flather, and handed the formal resignation to the president of the bank, I have personal knowledge of the whole transaction. An examination which we had made in August and September, 1915, of the books of Lewis Johnson & Co. disclosed that Mr. Flather's accounts there were of a speculative character. They were not anything connected with the bank. They were things in his own account; but they were speculative, and showed, in addition to purchases and sales on margin, short sales of stock. As an individual Mr. Flather, of course, had a perfect right to have such transactions, but it was the opinion of the bank's directors, the other officers of the bank, and myself as one of the bank's counsel, that a bank cashier should not have speculative accounts. I discussed this matter with Mr. Flather; told him that his fellow officers did not approve of accounts of that kind, and that they were not transactions which a bank cashier should be permitted to indulge in. Mr. Flather said that if the bank took the position that he could not speculate with his own funds on his own account, as he deemed he had a right to do, he would resign. In the latter part of September, 1915, I have not before me and do not remember the exact date, he did resign.

The charge made by Mr. Williams and by his counsel to the effect that Mr. Flather had personally profited by trading against customers' accounts with Lewis Johnson & Co. was fully aired in the criminal-court proceedings. All of the evidence upon which that charge is based was brought out by the prosecuting officers in the trial in May, 1916. In the arguments to the jury that charge was dwelt upon and paraded before the jury by District Attorney Laskey and Assistant Attorney General Fitts. They attempted to make all the capital out of it possible. It fell absolutely flat. It was made and exploded there.

Now, let me show you here why naturally the jury did not, and no impartial tribunal should, believe the charge. There were several thousand stock transactions involved, covering a long period of years. Mr. Williams and his assistants pieced together various entries in a few—I think as many as a dozen, somewhere in that neighborhood—I do not remember the exact number of these transactions

which, when thus pieced together, could be used as circumstantial evidence upon which to base the charge that Mr. Flather had in these few and isolated instances obtained a small profit which ought to have gone to his customers. The thing was perfectly inconceivable and unbelievable. This man had figured in thousands of financial transactions, he dealt with millions, his opportunities to acquire money dishonestly, if he had such a bent, extended over years and were countless. I repeat, this is a charge that was exploded at the trial. If Mr. Flather was guilty why didn't they convince the jury of it?

Now, you ask, Senator Newberry, whether there had been destroyed any papers that had anything to do with this. Not to my knowledge, ever. Nor is it conceivable how there could be, for as I have already told you, in the case of every Lewis Johnson & Co. transaction, every paper was available. The statement on this subject, which naturally brings forth your question, repeated by Comptroller Williams in his August 12, 1919, letter to the chairman of this committee, that Lewis Johnson & Co.'s advice slips were destroyed, and that these documents, if available, would have aided in establishing the guilt of Henry Flather, is shown to be so grossly false that it is difficult to restrain one's self from characterizing him, in view of the indisputable fact that every one of the papers he thus refers to, if we say nothing about those found in the bank and produced from its files, were correct and exactly like entries made in the Lewis Johnson & Co. books, all of which were in the possession of the district attorney's office and under daily examination by Comptroller Williams's examiners from the spring of 1915 to the spring of 1916. There was never, Senator Newberry, to my knowledge, so far as I know, and I have been into this case with a fine-tooth comb—there was never any document destroyed or secreted or suppressed that in any way, shape, manner, or form bore on or supported or related to that charge made against Mr. Henry H. Flather.

I invite your attention to the fact that the charge has always been most carefully made in some privileged form, where Mr. Flather is without remedy because of it, that is, without remedy unless he took personally into his own hands the matter of seeking a remedy and obtaining out of Mr. Williams his satisfaction, which an indignant citizen sometimes, improperly and hot-headedly, of course, takes in such cases. And in that connection I want to say to you, Senator, that I have at times had an herculean task to induce Mr. Henry Flather to see the unwisdom of following that, the only course open to him when these charges have been repeated since his acquittal in the perjury trial.

While on this subject I refer again to the statement of Comptroller Williams in his letter of August 12, 1919, to the chairman, charging that the reason I suggested—that the 515 pages of correspondence should not be printed in the record here, because in that correspondence appears the names of persons in private life who have no possible connection with this matter—was not the real reason, but that the publication of that correspondence would disclose fraudulent operations of Mr. Henry H. Flather, and I say to you again that this statement is a fabrication made out of the whole cloth. In the 515 pages of that correspondence you will not find a single, solitary

word or document, which by even the distortions of Mr. Williams himself will show a single fraudulent operation ever charged against Mr. Flather. I say again, as I have already stated to Senator Henderson here, that if in that correspondence, which the chairman of this committee said would be considered in executive session, but which I am perfectly willing to have published in full, with the deleting only of the names of private individuals from it, which correspondence I have shown you I tried to get before the court in the equity case, but which Mr. Untermeyer objected to having presented to the court—if there is one single, solitary line, word, charge, evidence, or document which by any possible construction shows that Henry H. Flather was guilty of any fraudulent operation with respect to any customer, either of the bank or of his own, let Mr. Williams, who has already inserted in this record page after page of that correspondence, point it out and put it in this record. It just is not there. That infamous charge was never made or suggested in that correspondence.

It is perhaps unnecessary for me to add that the Riggs Bank officers, other than the cashier, did not know themselves of what I have termed the speculative account carried by Mr. Henry Flather with Lewis Johnson & Co., until after the equity suit had been argued.

More than that, Senator, in response to Mr. Williams's attempt to have you believe that one of the reasons why he was hounding the Riggs Bank from June, 1914, to April, 1915, until he was stopped by the filing of the equity suit, was because Henry Flather had defrauded some customer or client in stock transactions, I tell you that he does not speak the truth, because the fact is, and the record conclusively proves it, that Mr. Williams did not know and was not familiar with a single entry in the Lewis Johnson & Co. accounts until after the equity suit was filed.

Senator NEWBERRY. In Mr. Laskey's testimony before the committee, he made some statement—I do not think it is particularly important now—about Mr. Flather making a profit on his own account.

Mr. HOGAN. Mr. Laskey charged that in the criminal court proceedings at the trial which was conducted in May, 1916, a year after the equity case had been argued. Indeed, Mr. Laskey made that the big issue in the criminal proceedings. In his opening statement and in his closing argument, he insisted that Mr. Flather had improperly made a profit out of customers' stock transactions, and he charged that that was one of the reasons why Mr. Flather made the disputed affidavit. He laid great stress upon that as the motive for the commission of perjury,—and a jury of American citizens answered it; and I will take the answer of such a jury any time against anything John Skelton Williams says. Not only did the jury answer it by their verdict, but when they had returned to the court room and announced the acquittal of Mr. Flather and his codefendant, man after man of the 12 jurors went over to Mr. Flather, shook his hand and expressed their confidence in him and assured him they did not believe the charge.

Senator NEWBERRY. How was the matter of the Bennett affidavit in regard to Mr. Flather disposed of?

Mr. HOGAN. It never was disposed of. You will remember that that affidavit was filed in the equity proceedings and the equity

case was never allowed to come to a trial; as a condition to getting the charter renewed, the bank was forced to dismiss that suit, and so it was never tried, and that ended the matter of the Bennett affidavit.

I will not detain you, Senators, by any further reference to the comptroller's treatment of the Riggs National Bank and its officers. For him to attempt to deny that he sought to ruin and wreck this bank is to attempt to deny the obvious.

With your permission, I will refer, in conclusion, to a few general matters brought into this record by Mr. Williams in support of the efficiency and the effectiveness of his administration as comptroller. Repeatedly he has told us that since January 1, 1918, during the stress and strain of war, there were only two national-bank failures, and he modestly points to that as an astounding record for which he is entitled to credit. Well, instead of taking a period of inflated prosperity, when billions of dollars raised by bond issues were expended in all kinds of industries, finding their way into bank deposits, greatly increasing bank resources, making not only bank failures but commercial failures exceedingly scarce, I say that instead of taking a period of inflation, suppose we take a normal period as fairer evidence of the record during this comptroller's administration. I do not say that many bank failures means that the comptroller has not been efficient, but I do say that if that is the standard—and Mr. Williams is the one who has set it up—then by his own standard again he falls.

Turning to the statistics in the annual reports of the comptroller, it will be found that in the four years of the Taft administration, from March, 1909, to March, 1913, there were 23 receivers appointed for insolvent national banks, whereas during the four years which represent the first term of Mr. Wilson, March 4, 1913, to March 3, 1917, there were 58 receivers appointed for insolvent banks. In other words, taking these two four-year periods, fairly normal, for comparative purposes, during which, while there was no stress and strain or war, there also was no tremendously inflated prosperity, you will find that the official figures from the records in the comptroller's office show that there were two and one-half times as many national bank failures in the first four years of Wilson's administration as there were in the four years of Taft's administration. Following the logic of the standard which Mr. Williams himself has given, the official record shows that in the 54 years which have elapsed since the establishment of the national banking system, 1865 to 1918, inclusive, there was a grand total of 588 receivers for insolvent national banks, an average of a little less than 11 each year. In the first four years of Comptroller Williams's administration there were 58 receivers, an average of a little less than 15 per year. In other words, taking Comptroller Williams's own standard to judge his administration by, we find that during his administration, prior to the time when war prosperity helped, national banks were failing on an average of nearly 50 per cent more each year than the theretofore established average.

Now, Senators, these figures I give you are in line with the way Mr. Williams attempts to establish comparisons by statistics. Personally I am frank to say that I do not think very much of the en-

lightening value of such statistics. Throughout this record, Mr. Williams has given you statistics which show the truth of the statement of O. Henry, from whom I quote, a statement that is apropos here: "What you've got is statistics, the lowest grade of information that exists."

Turn to the subject of Government deposits in Washington banks. Mr. Williams has pointed out that under previous administrations the Riggs Bank was favored in the matter of Government deposits. Senator Calder asked several times that Mr. Williams bring here and put into the record a statement showing the deposits in all national banks in Washington during his administration. Mr. Williams responded to that request with an elaborate amount of misleading statistical information to show the percentage of Government deposits to the resources of each national bank having such deposits. His response to Senator Calder's request for information was, as habitually, a half truth, because he omitted from the figures he used the Isthmian Canal Commission and the Philippine Island deposit, which are as a rule in normal times the largest Government deposits in Washington banks, and which have been kept since 1914 in the Commercial National Bank. He will probably claim that he does not classify the Panama Canal and Philippine deposits as Government deposits. That is precisely what they are, nevertheless; so much so that the law provides that a bank having Panama Canal deposits need not take into account, in calculating the amount of those deposits in arriving at the percentage of reserve to be maintained, the law providing that such deposits shall in that respect be treated precisely as other Government deposits.

Let me show you what the real figures on this account are: In December, 1916—and I take my figures from the official report in the Comptroller's office, a copy of which the law requires to be published—the Commercial National Bank had Government deposits including Panama Canal, Philippine, and all Government deposits, amounting to \$2,080,000. At this same time all the other 13 national banks in the District had \$1,085,000 of Government funds on deposit. The average of the 13 national banks in the District was \$83,400 of Government deposits against the Commercial Bank's deposit of \$2,080,000. Taking Mr. Williams's own method of presenting matters of this kind, this state of affairs shows this: In December, 1916, the Commercial National Bank's resources totaled \$10,220,000; the resources of all other national banks in Washington totaled at that time \$61,099,000, so that the total of Government deposits in 13 national banks in this city amounted to 1½ per cent of their resources, while at the same time the Commercial National Bank had Government deposits amounting to 20 per cent of its resources. That is what the kind of statistics that Mr. Williams is an expert in preparing for you show on this point. May I borrow one of Mr. Williams's own expressions and ask, "If that is not favoritism, what is?"

The Commercial National Bank was, during the period 1914–1916, inclusive, notorious and conspicuous in this community for failure to maintain its reserves, not only reserves on the basis of the 25 per cent requirement under the law before it was amended in December, 1913, but reserves even when the law reduced the amount required to 15 per cent. At the same time that bank was conspicuous for being favored

by Mr. Williams with the largest Government deposit in the District. His rules seem to be that as a bank continues to fail in its reserves, it should come up in Government funds; and as the published official reports show, that bank, the recipient of his favors when he was hounding and discriminating against the Riggs National Bank, was continuously violating the law as regards borrowing an amount in excess of the amount it was legally allowed to borrow. The Riggs National Bank has never complained of strict supervision. No decently run bank does, but the record of Comptroller Williams is that of persistent persecution toward some banks and favoritism toward others, or, what is the equivalent of favoritism, neglect to compel compliance with the requirements of the law on the part of some banks.

You have been told, Senators, that while there are some 25,000 bank officers, a comparatively few persons have appeared here to testify against Mr. Williams. Far more ominous is the silence of bank officials. Mr. Williams calls attention to the fact that he has been under investigation for six months. During that six months bankers' associations throughout the land have met and have adjourned in silence. It is easy to pass resolutions of commendation, and if while under this investigation this comptroller's administration had been worthy of commendation, you would have been deluged by resolutions from bankers' associations commending that administration. It is the silence of the national-bank officers; it is the silence of bankers' associations throughout the country that is ominous in this case. To have come forward and testified against him meant to subject one's self to becoming the target of his intemperate denunciation and insatiable hostility. Only recently, I am informed, in the State of Virginia, the comptroller's own State, the bankers met in convention. They must have known of this investigation of the comptroller's administration. They adjourned without sending what might have had some effect here upon the minds of Senators, a resolution commending Mr. Williams, if in the light of his official conduct they could have even thought of passing such a resolution.

The CHAIRMAN. Naturally, I do not think it would be supposed they would express an opinion one way or the other. I am frank to say that.

Mr. HOGAN. The bankers' fear to come forward and openly criticize Comptroller Williams is known of all men. Indeed, to appeal to the court for a construction of his powers was, as you will recall, termed "temerity" by John Skelton Williams himself in a formal statement he issued to the public press on April 15, 1915, the day after that date on which the Riggs National Bank, refusing to longer submit to his persecution, brought him to the bar of court.

The CHAIRMAN. We will suspend now, and if there is any matter that you wish to call to the attention of the committee later you may do so; we can not close the hearing to-day; it is possible there will be another witness here next Tuesday, if we do not close the hearing before that date, and it is also possible that Mr. Williams will want to see the concluding statement after it is printed, and the committee may think it best to give him opportunity to controvert some specific new matter that may have been introduced. I do not know

about that; that will be for the committee to decide when the time comes.

Senator NEWBERRY. Mr. Williams, if not too much work, in order to clear it up in my own mind, will you, before the hearing is finally closed, insert a statement showing the total number of banks that were not examined twice a year since you have been comptroller?

Mr. WILLIAMS. I will say this, Mr. Chairman and gentlemen, that the examinations of banks under my administration have been very much more efficient and effective than they have been before. The results, I think, show that. Under the old system you probably know the bank examiners were given a fixed fee, and it was their object to get into a bank and get out of it as soon as possible. Now they are on salaries, and they stay in and make their work much more complete and much more thorough, and the efficiency of the examination has increased so greatly that in some of the larger cities of the country the clearing house associations have given up the clearing-house examiner the formerly retained and are satisfied with the examination made by the national-bank examiners. I remember especially the city of San Francisco, where that was done several years ago.

The CHAIRMAN. This hearing will be adjourned until Tuesday next at 10 o'clock. If possible, Mr. Williams, Mr. Cromwell will be here then. I am not certain.

Mr. WILLIAMS. Mr. Chairman, may I say just one word before we adjourn? I see we have Representative McFadden here. I have only met him once in my office, when he called to discuss matters in his bank. He has made serious charges against the comptroller on the floor of the House. May I ask that he come before this committee or withdraw his charges?

The CHAIRMAN. No; we will not go into that now.

(Whereupon, at 5.40 o'clock p. m., the committee adjourned until Tuesday, September 9, 1919, at 10 o'clock a. m.)

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, September 22, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

DEAR SIR: At the hearing before your committee on the 5th instant I submitted figures in some detail as to the number of national-bank examinations in the years 1914, 1915, 1916, 1917, and 1918, the number of banks in operation as of June 30 in each year, and I gave the percentage which the total number of examinations made each year bore to the number which would have been made if all banks had been examined twice per annum. Senator Newberry has asked that I furnish an additional statement as to the exact number of national banks not examined twice in those years, and I take pleasure in giving you the following additional data:

The Federal Reserve Act required all national banks which were members of the system to be examined twice each year, but this provision did not become operative until the inauguration of the Federal Reserve System, November 16, 1914. The first calendar year after the law took effect was therefore the year 1915.

For that year, 1915, the year which marked the beginning of the new system of examination under which the country was divided into 12 examining dis-

tricts, each under the immediate supervision of a chief national-bank examiner, there were in operation January 1, 7,539 banks.

To have examined these 7,539 banks twice would have required 15,186 examinations; that year there were 10,467 regular examinations made, and in addition 687 special examinations, making a total of 11,154 examinations, so that the total number of examinations made was slightly under 75 per cent of the number there would have been on the basis of two per bank. Four thousand one hundred and sixty-seven banks that year did not receive the second examination, but these 4,167 banks which received one examination only were each required to send to this office during that year six sworn reports of condition—in fact, all of the national banks were that year required to send in an additional sworn report of their condition, making for 1915 over 7,593 more reports than the law required the comptroller to obtain. These additional reports, besides being sworn to by the banks' officers and attested by their directors, were required to be published in their local newspapers. Upon being received here at the comptroller's office they were abstracted in the Statistical Division. Furthermore, all national-bank examiners are under instructions at each examination of a bank to go back to the last preceding report of condition furnished this office and to verify this report from the bank's books and to report to the comptroller at once any irregularities or discrepancies discovered, so that the banks are kept constantly in touch with the comptroller's office and the national-bank examiners—more closely, by far, than was ever the case in any previous administration.

I will also add that I concur in the opinion which has been expressed to me by able and experienced bankers to the effect that the national-bank examinations which are now being made are at least 100 per cent more thorough and more effective than those made under previous administrations. Abundant evidence on this point could be furnished if necessary, but as an example of the views of leading bankers on this subject it will perhaps be sufficient to quote the following extract from a letter which I received from the president of the second largest bank in Maryland, the Citizens National Bank of Baltimore, who wrote me, under date of August 8, 1918:

"I have been connected with the Citizens National Bank for over a quarter of a century, and I want to go on record as saying that the examinations that are now being made by your examiners are no more like those that were made under your predecessors than a \$20 gold piece is like a lead quarter. It is my firm belief that you have done more to further the interests of good banking methods than all of the comptrollers put together since I first entered the bank as a bookkeeper in 1892. I hope the time may soon come when practically all of our State banks and trust companies will find it to their advantage to join with us, in order that we may have one united system."

As further evidence of the high efficiency of national-bank examinations as now conducted, it may interest you to know that some of the clearing houses of the country, including San Francisco, Calif., and Nashville, Tenn., in recognition of the vast improvement in these examinations have abolished the position of clearing-house examiner, which they formerly found it necessary or desirable to maintain.

I beg leave to hand you with this for your information a copy of the form of examiner's report used prior to my administration, and the form which examiners are now required to fill up. You will observe that the old form contains 8 pages, while the present form contains 20 pages which must be filled up—more than 100 per cent larger.

On January 1, 1916, there were 7,621 national banks. Two examination per bank would have called for 15,242 examinations. There were made 11,871 regular examinations and 621 special examinations, making a total of 12,492, so that the total number of examinations made, including both regular and special, was about 82 per cent of the number required to give two examinations per bank per annum. That year there were 2,596 banks not examined twice, but we required from all the banks that year 7,621 more sworn reports of condition than the law demanded, and despite the war the number of national-bank failures for that year were reduced to less than half the average of the preceding quarter of a century, although there were far more national banks.

On January 1, 1917, there were 7,597 banks in operation, calling for 15,194 examinations. There were made that year of regular examinations, 12,582; of special examinations, 688; total, 13,270, so that the total number of examinations

made was just about 87 per cent of the number the law called for, but that year as against 2,201 banks not examined twice we required from the banks about 7,690 more sworn reports of condition, signed by their officers and attested by their directors, than the law required, and the number of bank failures was still further reduced.

In 1918, there were on January 1, 7,688 banks, so that two examinations per bank would have called for 15,376 examinations. The office made of regular examinations, 12,286; of special examinations, 788, a total of 13,074, or slightly over 85 per cent of the number required to give 2 per bank, leaving 2,507 banks not examined twice. About 7,700 more sworn reports of condition than required by law were obtained from the banks for that year.

There were 109 national-bank examiners in the service in 1914, and we have now 148 national-bank examiners, exclusive of the assistant examiners, despite the fact that the losses in the force since 1914, due to resignation, service in the Army, death from influenza and other causes have amounted to more than 100 per cent of the number of the force on hand in 1914.

As I pointed out to the committee, this office in keeping closely in touch with the national banks has gotten from them each year that I have been comptroller at least 7,500 more reports of their condition than I was required to get by the law. These reports are checked up in the Statistical Division. The chief of that division informs me that several thousand letters relative to these reports are written to the banks after each call checking up and reconciling these sworn reports.

As to the efficiency and success of the methods and policies pursued by this office under my administration I am thankful to be able to point to official figures which show that, in the deeply important matter of immunity from receivership, and the distress and losses which that usually involves, the record of the National Banks of the United States since January 1, 1918, has been about twenty times or 2,000 per cent better than for the period of 25 years immediately preceding the present administration.

I trust that the information which I am submitting herewith, together with that previously given to the committee will give you the data desired.

Sincerely, yours,

JOHN SKELTON WILLIAMS.

Mr. HOGAN. Senators, when I was privileged to appear before this committee before, you will remember, certainly those who are here this morning will particularly remember, that toward the conclusion of my statement I produced a letter, circulating throughout this country, attacking Senator Weeks. I produced a long letter circulated throughout this country attacking Mr. Wade H. Cooper; and you Senators will remember that I said—I think the phrase I used, “I am next,” and “that my appearance here will result in similar conduct, I confidently predict.”

This committee gave to Mr. Williams, with infinite patience, an opportunity to denounce his opponents and exploit his virtues without limits. After that had been done, and after Mr. Williams had announced that he was entirely through, he, on July 26, 1919, addressed a long letter to the chairman of the committee, which in part X of these hearings, was published by the chairman's direction, and then subsequent to that time, and while this committee was in recess, Mr. Williams pretended to write a letter, because its merely a pretended letter, its purpose is to circulate propaganda under privileged form, to the chairman of this committee, and he had, after he wrote that letter, which consisted of 20 printed pages—that was not sufficient—he added, because he is never through, an addenda, which made it consist in whole of 24 printed pages, and he had it printed at a private printing house, the Chas. H. Potter & Co., Inc., Washington, D. C., not to inform the Senate committee of anything,

because most of it—certainly 50 or 60 per cent of it—is a rehash of what is in the record here; he had it printed here, with over 75 large deep subheads, its purpose being to primarily, and according to its captions, to villify me. The witness who had appeared here, a purpose which is not adhered to, however. It abounds in capitals, and it shrieks with italics, and it is part and parcel of the very thing which I told the Senate committee that he who dared to come here, even at your request, would be made the object and the subject of this man's unrestrained, intemperate, libelous characteristics.

Now, Senators, before I take up—because it is necessary to take up, and I am going to do it as briefly as possible—the inconceivable statements contained in that circular, and with the official Treasury Department seal upon it, so as to give it an official guise—in that circulated screed, I am going to very briefly, as it leads up logically to what I have to call your attention to, a thing that you will stand aghast at. I shall refer to quotations which I take from your records here which show pictured and painted by himself, and not by me, the intemperate attitude of the present Comptroller of the Currency, as to each person who has dared to criticize or oppose him, and as to the party that is—a different party from him, and as to this committee.

First, Senator John W. Weeks—in giving the page references where this will be found I will not read them, because it would take time, but I will give them to the stenographer. Senator John W. Weeks is charged by Mr. Williams with having made "malevolent" efforts to discredit or injure the comptroller (Part IV, p. 383, Senate hearings). He refers to Senator Weeks's "vaunting assertions" that the Senator had received letters criticizing the comptroller's conduct (Part IV, p. 382, Senate hearings), charges the Senator with making "unjust and invidious attacks," and says he "grossly imposed upon" a Senate committee (Part IV, p. 383, Senate hearings).

Mr. Wade H. Cooper, president of two Washington savings banks, both going concerns, the condition of which concededly has improved under Mr. Cooper's presidency, is thus assailed in this record: "His testimony," says Mr. Williams, "is grossly false" (Part IV, p. 206, Senate hearings); a statement of his is "a complete falsification," and his charges are "false and generally maliciously so" (Part IV, p. 251, Senate hearings); that Cooper has made "wanton" and "willful" statements, and "wanton, willful, and unjustifiable reflections," with a "willful and deliberate intention to injure" Mr. Williams (Part IV, pp. 257, 258, Senate hearings). He describes Mr. Cooper as "a discredited local bank official" (Part IV, p. 383, Senate hearings), who has made "ridiculous and wanton and flagrant statements" (Part IV, p. 261, Senate hearings), and returning much later in his alleged testimony to the subject of Mr. Cooper he refers to "the falsifications and misstatements" deliberately made by the witness (Part VI, p. 449, Senate hearings).

Mr. E. A. Jones, an attorney from the State of Pennsylvania, Mr. Williams calls a maker of "mischievous and false charges" (Part VII, p. 526, Senate hearings), and advises the committee, "I want to denounce Mr. Jones as a contemptible and wanton slanderer" (Part VII, p. 518, Senate hearings).

Speaking in this record of Representative Louis T. McFadden, of the State of Pennsylvania, the present Comptroller of the Currency describes the Member of Congress as "a licensed slanderer," an "utterer of viciously false accusations," one guilty of "falsehood and malicious attempts to do injury," who "is far more anxious over his job and pocket than over his character as a man or official"; he charges that Representative McFadden has used his "place in Congress to malign and to endeavor to injure me," and boasts in this record that he has made his letters to the Member of Congress as "stinging as possible," concluding that Mr. McFadden's insinuations are "denounced as absolutely false, and which have all the appearance of having been dictated by intense malice" (Part V, pp. 443, 444, 445, 446, Senate hearings).

NOMINATION OF JOHN SKELTON WILLIAMS.

THURSDAY, SEPTEMBER 11, 1919.

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.05 o'clock a. m., in the committee room, Senate Office Building, Senator George P. McLean presiding.

Present: Senators McLean (chairman), Page, Newberry, Henderson, and Walsh.

Present also: Hon. John Skelton Williams, Comptroller of the Currency.

The CHAIRMAN. Well, Mr. Williams. Mr. Williams, before you begin your statement, I would like to ask you if you could furnish the committee with a list of all the national banks that have gone into voluntary liquidation during your term of office and have reorganized under the State laws?

Mr. WILLIAMS. Certainly.

The CHAIRMAN. Now, how much time do you think you require, Mr. Williams?

Mr. WILLIAMS. Well, Senator and gentlemen, are there any other witnesses to be heard?

The CHAIRMAN. No.

Mr. WILLIAMS. I will abbreviate my oral statements and submit in documentary form the conclusions.

The CHAIRMAN. You couldn't submit it all in that form?

Mr. WILLIAMS. I would like, Senator, to have the privilege, even if it may not be described as a right, to answer before you statements which were made before you by other witnesses who have taken up most of the time of the committee.

The CHAIRMAN. You want to put on other witnesses?

Mr. WILLIAMS. I do not.

The CHAIRMAN. That I understand. It will be impossible for me to remain this morning because I have a very important hearing I must attend, and some members of the committee will remain and hear you if you insist upon going on orally, but it seems to me—

Mr. WILLIAMS. I don't like, Senator—I hope you won't put me in that position, of insisting against the wishes of the committee in doing anything, but I simply submit to your sense of fairness my expressed hope that you will give me the privilege which was so generously accorded to those in the opposition to speak before you.

The CHAIRMAN. That is true, but do you realize that it was understood at the beginning that those who oppose your nomination take

the burden. Consequently, they have a right to open and close under the ordinary rules of procedure, and it seemed to me that you, having had time to go into almost everything that can possibly be involved in this hearing and have a full answer orally, that there now remains nothing but some specific replies that you wish to make to matters that Mr. Hogan may have brought out in his rebuttal.

Mr. WILLIAMS. I feel, Senator, that I have substantially answered every complaint or charge that has been made, but they have been reiterated in a manner that, it seems to me, makes it desirable that I should give further attention to them.

The CHAIRMAN. Can you not do that in a typewritten statement, of course to be printed in the record and ample opportunity for every member of the committee to read it, of course, and it will be furnished to the Senate. It will be a great convenience to the committee if satisfactory to you. Now, if it isn't, of course, we will.

Mr. WILLIAMS. Then I will try to meet your views as far as possible by abbreviating my oral statement this morning and submitting in writing an additional statement, but am I to understand that this is the conclusion?

The CHAIRMAN. Well, if there is anything in your statement this morning, of course, of a character which has not been considered before, what you state will be submitted to Mr. Hogan, but any reply he makes will be made in writing. We have got to end these hearings sometime and we want to be fair to everyone, and give both sides the last word if it is possible.

Mr. WILLIAMS. Do I understand that there will be no other witnesses?

The CHAIRMAN. Not that I know of.

Senator HENDERSON. May I announce now that Senator Pomerene, a member of this committee, has just left the room, and notified me that he was very busy this morning on important railway problems that are before another committee.

The CHAIRMAN. Well, that is the understanding.

Senator PAGE. I must go at half past 10.

STATEMENT OF HON. JOHN SKELTON WILLIAMS—Resumed.

Mr. WILLIAMS. Mr. Chairman, I desire to read before you this morning extracts or entries from my private diary, if I may be permitted to do so, relating to the Riggs controversy.

The CHAIRMAN. Well, now, we shut out that diary entirely. We had no use for it and put in nothing from it. Mr. Hogan put in nothing from it.

Mr. WILLIAMS. How could Mr. Hogan put in anything?

The CHAIRMAN. You put in extracts.

Mr. WILLIAMS. He said by that he will prove that certain statements which he has made—certain statements which I have proved to be false—could be substantiated. Now, I want the committee to have the opportunity of seeing to what extent, if any, he can benefit from the production of that diary.

The CHAIRMAN. Of course, if you put those in and he calls for the diary again he is entitled to it.

Mr. WILLIAMS. I am willing to give, as I stated before, to the committee in public and in executive session the whole diary so far as it

relates to any conversation or correspondence between myself and—on the subject of the Riggs controversy with the Secretary of the Treasury or any official of the Treasury Department, the Attorney General or any official of the Department of Justice, or with the officers and directors of the Riggs Bank.

The CHAIRMAN. Well, it is a loose-leaf diary and the pages are not numbered, Mr. Comptroller, and that sort of diary, in my opinion, isn't worth much.

Senator HENDERSON. Mr. Chairman, I believe it would be sufficient if Mr. Williams will just offer the use of the diary to any of the members or the entire committee if they would want it. Then if they want to use it they will have the opportunity.

Senator PAGE. Senator Henderson, now I want to be fairly decent about this matter. I have not found it possible with my other duties to come here and attend these meetings. I have tried to read more or less of the matter that Mr. Williams has brought in here, but in talking with other Senators, I find we are all in substantially the same position that everyone of us is in—the position which makes it impossible for us to go on with these hearings unless it is absolutely necessary. As the chairman says, we want to be fair, but I would submit that if this matter can be given to us in printed form that I can give it better justice, and I believe that every other member here can, than we can possibly give it with the pressure upon our time at this time.

Senator HENDERSON. Senator Page, in that connection I will state that I have a meeting now at the other end of the building, and they sent me word a few minutes ago they would like to have me come if I possibly could. I know how busy you are. I know now the chairman is needed at another meeting at this minute, and Senator Pomereene has just left. Senator Hitchcock is on the Foreign Relations Committee, Senator Norris is busy, and my suggestion along the line of the private diary of Mr. Williams was in case later on you wanted to look at it. I realize that if one part of the diary is put in evidence, then if Mr. Hogan wants the entire diary to go in it, he has that right. Now, if none of it is put in now, if any member of the committee wishes to examine, I see no objection to that, but the offer could be made by the witness to show his good faith and the matter could rest there.

Senator PAGE. I can not myself personally. I have got to go at half-past 10, or in about six or seven minutes, and I wish it might be done in printed form rather than the continuation of these hearings, and I believe it has become practically an impossibility for us to give these hearings any emphasis that we would give were they to be printed, and I hope that Mr. Williams will not regard me or the rest of us as desiring to be unfair if we have the matter come to us in printed form as far as we can.

Mr. WILLIAMS. Well, as I stated, I shall be glad to respect the wishes of the committee and make my oral statement as briefly as possible.

(Senator McLean had to leave the committee to attend the committee on Interstate Commerce and Senator Newberry took his place as chairman.)

Senator WALSH. Mr. Williams, I was not here the other day. I haven't heard the evidence that's been offered since Mr. Hogan

reappeared. I am more or less familiar with the case up to that time. I imagine you have had several hearings at which Mr. Hogan went over the Riggs case. Now, I don't know whether any new matters were brought out, things that need explanation. I am unfamiliar with that, but I do think that the committee would feel greatly relieved if you would, in writing, submit your answer to all that Mr. Hogan has said in the last few hearings that have been presented here and that it would save the time of the members of the committee and would expedite matters and would probably mean the closing up of the hearings without Mr. Hogan or anybody else coming back, and I want to be fair with you and I want to get your opinion about the wisdom of that course. Now, perhaps there are some things that have happened that I don't know about, that really require you personally to explain, but I am leaving that to your own suggestion. I make that suggestion in a friendly way.

Mr. WILLIAMS. I would prefer to make my statement to the committee, but in deference to the wishes of the members I will adopt the suggestion which has been made and abbreviate my oral statement this morning accordingly, and submit the balance in writing.

Senator WALSH. Very well. You shouldn't consent to it, Mr. Williams, if it in any way will jeopardize or interfere with your right to present your case, but if you would do it, I am sure it would help to bring an end to the hearings and I think the committee would appreciate the courtesy.

Mr. WILLIAMS. I would be very glad to defer to your expressed wishes, Senator and gentlemen.

Senator WALSH. Am I expressing, Senator Page, what you have in mind, your wishes in the matter?

Senator PAGE. You are. I am forced to leave, because I have got other matters that I must attend to, and half past 10 I have promised to appear at another committee.

Senator WALSH. Exactly.

Mr. WILLIAMS. May I inquire, before I make my very brief oral statement, whether there are any communications or charges on complaints of any sort which have been made to the chairman or other members of the committee which ought to be considered by them in disposing of this case? Senator McLean assured me that as far as he was concerned that statements which the makers were unwilling to come openly before the committee to prove would be disregarded by him and not considered, and I feel sure that I am right in assuming that that same course would be observed by the other Senators.

Senator HENDERSON. I think you are safe in that assumption.

Senator WALSH. I suppose you are safe in the assumption that you need answer to nothing except what has been printed in the records here and that no Senator will form any opinion upon your confirmation upon other than facts that have been presented in this record.

Mr. WILLIAMS. I am moved to make that suggestion partly because of the remark made by Senator Penrose at a recent meeting. I subsequently addressed a communication to Senator Penrose on that subject and, after waiting a couple of weeks and receiving no reply, I took the liberty of writing him again, but neither of my

communications have been answered, and I, therefore, shall ask the privilege of including those two letters in the record at the proper time in the written communication which I shall address to the committee.

Senator and gentlemen, a great deal has been said in these hearings about dummy loans. At the last meeting of the committee you yourself, I think, Mr. Chairman, addressed an inquiry to Mr. Hogan in regard to those dummy loans and seeking some explanation for them. In reply to your inquiry—

(Here Senators Page and Walsh left.)

In reply to your inquiry, Mr. Hogan in explaining or attempting to explain the dummy loans which had been made for the benefit of or for account of Mr. Henry H. Flather, the former cashier of the bank, said: He first referred to the dummy loans made for the account of the president, Mr. Glover, and then said:

Second. Mr. Henry H. Flather's wife was a victim of tuberculosis. Mr. Flather had his wife at Saranac, in the hope that her life might be saved. Apparently the effort was a hopeless one, and he decided, prior to her death, to go to Saranac and stay with that little woman, the mother of his only child, until the end had come. He had a relative named Nevius here. He had Mr. Nevius—Mr. Flather took up his note, turned over his collateral to Mr. Nevius, and had Mr. Nevius make a note based altogether on Mr. Flather's collateral. It was splendidly margined, the loan splendidly collateralized, with plenty of margin, so if any question might come up in his absence, could be handled by Mr. Nevius, and Mr. Nevius could do anything he wanted; but the bank loaned the money on the face of the collateral which belonged to Mr. Flather. That's another thing that characterizes a dummy loan.

Now, Mr. Chairman, I think it has been admitted that the evil practices of the bank in regard to dummy loans was one of the things which were especially condemned. If you will recall, it was the refusal of the bank to furnish information in regard to those very dummy loans to officers and to members of the families of officers which precipitated the assessment of the fine of \$5,000 which was imposed in 1915. The bank replied to that communication in regard to those dummy loans and other loans to officers and employees and claimed that they had no dummy loans or any such loans of that sort, and I think they also claimed there were at that time no other loans to officers in the bank. Parenthetically, here let me dispose of a question which Mr. — a point which Mr. Hogan made at the last hearing when he charged that I had claimed that the bank had never replied to my letter asking for information in regard to dummy loans—January 22, 1915, and that statement of his is absurd. The record shows that while he acknowledged the letter and replied in that way that he never did reply with the information or send the information which was called for and it has been patent to all that that omission to furnish information called for in the letter of January 22, was the occasion for the assessment of the fine.

Now, that is what may have impressed the committee as a plausible excuse for Mr. Henry H. Flather's dummy loans. But let me ask your attention, gentlemen, to the real facts. In a statement before the committee as reported in part 9 of these hearings, I said:

I will illustrate the character of some of the dummy loans. I will refer to the testimony of the officers of the Riggs National Bank before the national bank examiner, page 594, volume 3, of the February, 1919, hearings. Mr. Smith was the examiner conducting the examination.

TESTIMONY OF MR. HENRY H. FLATHER.

(The witness was duly sworn by Mr. Trimble.)

MR. SMITH. Mr. Flather, you are cashier of the Riggs National Bank, are you not?

MR. H. H. FLATHER. Yes, sir.

MR. SMITH. In table No 5, under date of August 22, 1911, is listed a note of B. L. Nevius, jr., \$26,400; and in the same table, under date of May 23, 1914, is a note of B. L. Nevius, \$24,000, with a notation, "Renewal of balance of loan of August 22, 1911."

MR. H. H. FLATHER. What was that last renewal?

MR. SMITH. May 23, 1914; \$24,000.

MR. H. H. FLATHER. What is it you want to know?

MR. SMITH. Who got the proceeds of those notes?

MR. H. H. FLATHER. Of this \$24,000?

MR. SMITH. The \$24,000 is the renewal of the \$26,400, is it not?

MR. H. H. FLATHER. I got it.

MR. SMITH. You got the proceeds of the \$26,400?

MR. H. H. FLATHER. Whichever one it was.

MR. SMITH. The \$26,400 is the note dated 1911?

MR. H. H. FLATHER. Just let me see [examining book]; 1911, is that, Mr. Smith?

MR. SMITH. Yes; 1911.

MR. H. H. FLATHER (examining further). Yes, sir; I got that.

MR. SMITH. Who paid the note when it was paid?

MR. H. H. FLATHER. I did.

MR. SMITH. Then, all the time from April, 1911, until that note was finally paid in 1914, you were carrying a note in the bank under the name of B. L. Nevius?

MR. H. H. FLATHER. The bank was carrying a note of B. L. Nevius.

MR. SMITH. The bank was carrying a note of B. L. Nevius?

MR. H. H. FLATHER. The bank was; yes sir.

MR. SMITH. Of which you got the proceeds?

MR. H. H. FLATHER. Of which I got the proceeds.

MR. SMITH. And which you paid?

MR. H. H. FLATHER. And which I paid.

MR. SMITH. In other words, you were borrowing from the bank in the name of B. L. Nevius?

MR. H. H. FLATHER. I was.

MR. SMITH. That is all.

MR. H. H. FLATHER. Of course, you did not speak about collateral.

MR. SMITH. You own the collateral?

MR. H. H. FLATHER. I own the collateral. I just wanted to state that.

I will say that Mr. H. H. Flather, in addition to those indirect loans, was borrowing large sums consistently, steadily, right along from the bank on various highly speculative securities. He was cashier of the bank meanwhile, and had a private wire right at his desk connecting with the stock-brokerage offices.

Now, gentlemen, there is the testimony. There is the excuse which Mr. Hogan offered for Mr. Flather's dummy loans, from 1911 to 1914—on account of the illness of his wife in Saranac, where he went to be with her. Now, when Mr. Hogan made those statements, questioning, as I think I had a right to do, the correctness of any statement which he has made before the committee, I thought it pertinent to ascertain when Mrs. Flather, the wife of Henry H. Flather, passed away. I therefore made inquiry and ascertained from the department of health that Mrs. Flather had been dead more than four years before that dummy loan was made as reported in 1911, according to this testimony here. Now, I ask you, gentlemen, what you can think of the testimony of any man who would attempt in such a manner as that to impose upon your committee and to explain in such a manner—in such a way as that the dummy

loans to the former cashier of this bank? If you desire it, I can readily obtain, I have no doubt, a certificate from the department of health as to the death of Mrs. Flather; I suppose that is unnecessary; but I am informed by the department that her death occurred more than four years before those dummy loans to which Mr. Hogan refers and which are referred to in the testimony there, were made.

I hardly think it is worth while for me to take up much of the time of your committee in descanting on such an incident as that.

Mr. Chairman, you made inquiry of me in regard to the examinations of the banks. At the last meeting of the committee Witness Hogan consumed much time before your committee with a malicious assault upon the Comptroller's Bureau for its alleged omission to make each year the two examinations of all national banks. I fully explained to your committee the reasons which made it impracticable to comply immediately with the provisions of the section of the Federal reserve act which directed that there should be two examinations made each year of all national banks, and I will again state briefly the situation in this respect. Before the passage of the Federal reserve act the national-bank examiners were paid upon the fee system, and not upon a salary basis. The tendency was to complete the examination as quickly as possible and then go to the next one. The maximum fee allowed to examiners in many cases was wholly insufficient to pay examiners for the time which an effective examination would require. It happened also that in some of the smaller banks where the fees were light, conditions were such as to demand careful investigation and many days of the examiner's time. A conscientious examiner, therefore, frequently found that the amount which he received as a fee was wholly insufficient to pay his expenses and board bills involved in the examination of some banks. On the salary system, examiners are instructed and required to devote to the examination all the time that is necessary to make the examination thorough and efficient and to protect the interests of depositors and shareholders.

The Federal reserve act was approved on December 23, 1913, but it was not until November 16, 1914, that the new system went fully into effect, and shortly thereafter the entire system of national-bank examinations was revised. The country was divided under my administration of the Comptroller's Bureau into the 12 examination districts, each in charge of a chief examiner under whose immediate supervision the field examiners worked. It was thought wisest to put into effect properly the plan of thorough examination of national banks, rather than to continue even temporarily the old system under which many hasty and incomplete examinations have been possible. And we then proceeded to build up and increase the examining force, selecting and training men for work as examiners. In the year 1914 there were in operation on June 30, 7,525 national banks. The total number of national-bank examinations made for that year, including 553 special examinations, was 13,713, or about 91 per cent of the number of examinations contemplated by the amendment to the law. In the calendar year 1915, being the first calendar year after the inauguration of the Federal Reserve System, and while the country was being redistricted and adjusted to the new methods of examination, the number of bank examinations was 11,154, including 687 special examinations.

Senator HENDERSON. Right there, please. Do I understand Mr. Hogan charged you with failure to make these examinations all over the country, or did he limit it to the District of Columbia?

Mr. WILLIAMS. I understood, Senator, that he charged delinquencies all over the country. That was my understanding of the testimony, and I was asked to present figures for the whole country.

The CHAIRMAN. I asked Mr. Williams to submit a list of each year since he had been the comptroller of the total number of banks and the number of banks in which the statutory examinations have been made in each year.

Mr. WILLIAMS. And I am now giving that list.

Senator HENDERSON. I was under the impression Mr. Hogan simply referred to the District of Columbia in his first statement here.

Mr. WILLIAMS. Well, his first statement, yes; but not I think in his last, as I recall; but anyhow I was requested to present the figures for the whole country, which I am doing now. In the calendar year 1915, being the first calendar year after the inauguration of the Federal Reserve System, and while the country was being redistributed and adjusted, the number of nation-bank examinations was 11,184, including 798 special examinations, but while we were somewhat behind in examinations by the examiners I ask your special attention to the fact that the Comptroller's Bureau obtained in the year 1915, 7,645 more sworn reports of condition from the national banks themselves than had been gotten in previous years, and these reports were all examined and analyzed, thus keeping the office in closer touch with the banks. In the year 1916 there were 7,579 national banks in operation June 30, and a total of 12,492 national-bank examinations, including 621 special examinations, made in that year.

The CHAIRMAN. Exactly what do you mean by special examinations?

Mr. WILLIAMS. Examinations beyond the number required by law. If the bank seems to be in a condition requiring a special examination, an examiner is sent there.

The CHAIRMAN. If the bank's condition is not satisfactory to you?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. Without asking you to do it now, couldn't that be simplified by giving just the two sets of numbers I asked for later—showing the number of banks that had two examinations each year?

Mr. WILLIAMS. Certainly. You may find here all that you want when I get through. In the year 1915 there were 1,579 national banks in operation, and a total of 12,492, including 621 special examinations in that year, the aggregate number of examinations amounting to about 82½ per cent of the amount contemplated by law. While there was a shortage in the number of examinations by examiners, attention is called to the fact that in 1916 we obtained from the banks 7,584 sworn reports of the conditions beyond the number required by law.

The CHAIRMAN. Of course, the bank examiners had nothing to do with the making of those sworn reports.

Mr. WILLIAMS. They were examined by the Comptroller's Bureau in Washington and the banks were communicated with if they needed attention. In the year 1917 there were 7,604 national banks in opera-

tion June 30, and 13,274 examinations, including 682 special examinations, in that year—87 per cent of the examinations required by law. In the same year also the Comptroller's Office kept closely in touch with the condition of the banks by securing from the national banks 7,662 more sworn reports of conditions than the law required. On June 30, 1918, there were 7,705 national banks, and during that year 13,074 examinations were made, including 788 special examinations, the examinations made covering about 85 per cent of the number contemplated. As against a shortage of about 15 per cent in the number of national bank examinations provided for by law, I call attention to the fact that in 1918 the Comptroller's Bureau secured from the banks 7,767 more sworn reports of conditions than the law required. In the year 1914 only 4 national banks were not examined; in 1915, 11; 1916, 7; 1917, 5; and in 1918, 15.

The CHAIRMAN. Not examined at all?

Mr. WILLIAMS. No. Out of about 7,600 or 7,700. Since 1914 we have lost by resignation or otherwise 109 national-bank examiners—more than the total number on duty in 1914. These losses arose largely from two causes—entrance into the Army and resignations to take positions with banks. The training which national-bank examiners received in this bureau seems so highly regarded in the banking fraternity, that the ranks of examiners are constantly depleted by the alluring offers made examiners to become officers of important banks in the different sections of the country, not only in the field but among the chief bank examiners, about two-thirds of whom during the past two years resigned to accept important positions with leading banks. With regard to examinations in the District of Columbia, I beg to advise that there were in the District in 1914 57 banking institutions, including national banks, saving banks, trust companies, building and loan associations, subject to examination by this bureau. In 1913, before my incumbency in office, these institutions, required to give two per bank, and received only about 75 per cent of the number of examinations. In 1914, under my administration, they received about 84 per cent; in 1915, about 68 per cent; in 1916, about 74 per cent; in 1917, about 84 per cent; in 1918, about 77 per cent. Number of examinations made in 1913 being 85; 1914, 96; 1915, 78; 1916, 90; 1917, 106; 1918, 100. During the period of my administration as comptroller—rather let us say from January, 1914, to June 30, 1919—this bureau has received and analyzed reports of examiners and reports of conditions of the banks under its supervision approximately 315,000 reports, an average of about 58,000 reports per annum.

I also call your attention to the fact that the total number of reports received and examined by this bureau in this period exceeds by more than 35,000 the number which it was required to obtain by law.

The CHAIRMAN. Mr. Williams, if you will please send to the committee to accompany that statement the information that I asked for, which was the number of banks each year that had had two examinations as required by law.

Mr. WILLIAMS. Yes.

In a statement before this committee on September the 2d the witness Hogan requested that I be called upon to produce nine sets

of documents and papers of different kinds, including copy of my private diary, relating to the Riggs controversy, and then made the bald statement that if those documents should be furnished, "There will be found not only refutations of but mathematical demonstrations of the culpable falsity of many of the all important allegations put into this report by Mr. Williams." He also boasted that he would "demonstrate to this committee beyond peradventure of a doubt or possibility of cavil when Mr. Williams brings in a statement alleged to be based on the record. The statement is in 99 per cent of the instances entirely false." I have responded fully with this request for papers in accordance with the call of this committee and the documents are now before you, but these documents so far from refuting my previous testimony or showing inaccuracies in former statements all prove the brazen falsity of the statements made by Mr. Hogan. It was at the hearing on September 4 that the document and papers which the committee requested me to present were presented. The list of loans made by the various national banks in the District to their officers, employees, and directors was submitted so as not to disclose as to banks other than the Riggs the amounts which they were respectively lending to officers, employees, and directors. The Riggs Bank was identified so that the comparison might be made by the committee as to the standing of the Riggs relative to the other banks of the District which I understood was what was desired.

The reports of the national-bank examiners from which tables were drawn were also laid before the committee for use in executive session if they desired them, and also for executive use there were submitted copies of letters written to other national banks regarding loans to their officers and directors covering the period requested. The only other information which was submitted for use in executive session, as I recall, were the leaves from my private diary. I informed you that the pages which I presented to you at that time were for use in executive session if you should desire to cover all entries made by me in that diary relating to correspondence or conversations had by me with either the Secretary of the Treasury or any other Treasury official, the Attorney General or any other official of the Department of Justice, any officer or officials of the Riggs National Bank relating to the Riggs Bank controversy and litigation.

As you have indicated, Mr. Chairman, upon more than one occasion that it may be well for me to deny specifically each charge made against me which is untrue, that it may be necessary for me to impose upon your patience by calling to your attention some of the additional misstatements made by the witness Hogan. I desire to denounce any charge which reflects in the least degree upon the integrity and fidelity of my administration, and if by chance there is any charge or complaint in the past which has not been specifically denied, I ask that it be brought to my attention and I will expose its falseness. Referring to some of the loose and false statements made by Mr. Hogan, I find that on page 6, testimony of September 4, charges that I was denouncing "the Riggs National Bank and its officers for the sole reason that the bank officers had loans with their own institution." The record of the Riggs Bank teems with flagrant instances of violation of law and of regulations of the Treasury Department.

The records also show that in the matter of loans to their officers that no other national bank in Washington prior to the time the Riggs Bank was required to reform ever approached in that respect the offenses of which the Riggs Bank was guilty. The record further shows that when other national banks were found to be lax in that respect they were promptly warned and criticized. Mr. Hogan's claim, on page 7 of the hearings of September 4, that the records show that the comptroller was "the instrumentality through which other banks in the District habitually short in their reserves were having constantly increasing Government deposits" is entirely false and wholly incapable of substantiation.

Mr. Hogan attempted to misrepresent Examiner Trimble's testimony, and to confuse the occasion on which he was subpoenaed with the visits it was necessary for him to make to the district attorney regarding the developments of his investigation.

This office has presented the statement called for showing work upon which Examiner Trimble was engaged in 1915 and the several months when he was occupied in unraveling the thousands of unlawful transactions engaged in by the Riggs National Bank and its officers, including the transaction in which the cashier of the bank had defrauded customers of the bank for whom he was acting, or supposed to be acting, in a fiduciary capacity.

In the hearing on September 4 Mr. Hogan recharged that the Riggs Bank had been subjected to persecution because two of its officers had opposed before the committee my confirmation as comptroller. He claims that the comptroller's determination to stop the unlawful and irregular practices of the bank was wholly spite work. His suggestion is scarcely worthy of notice. Since I have been Comptroller of the Currency it has been my aim and object to administer my office without fear or favor and to require all banks, large and small—those claiming to possess the largest degree of "pull" as well as the most defenseless or most obscure—to obey the law of the land and conform to the principles of sound banking, and the many thousands of letters of criticism which this office writes yearly will bear witness to this fact. Where violations of law are discovered by examiners they are fully reported to the Department of Justice. This office has nothing to do with their prosecution beyond furnishing the results of the examiners' investigations and having examiners testify when called upon to do so by the Department of Justice. It is true that three of the officers of the Riggs National Bank were indicted for crime and upon trial they were acquitted. Hundreds of other officers of national banks have also been indicted as result of investigations by national-bank examiners, and the official record shows that in the four years ending November 1, 1918, 174 presidents, vice presidents, cashiers, and others were convicted and sentenced to various terms of imprisonment and fined for violation of criminal laws in bank cases. None of the officers thus sentenced had ever testified against the Comptroller of the Currency before a Senate committee, and the officers of the Riggs National Bank who opposed my confirmation and were indicted for perjury were eventually acquitted after Mr. Hogan took the stand and admitted it was his deft hand that drew the affidavit and that it was upon his advice they had signed the affidavit.

On pages 12 and 13 of the hearings of September 4, in response to a question from the chairman to Mr. Hogan as to what he expected to show by the production of my diary, the witness declared that he expected to prove that my statement that I took no part in endeavoring to bring about the indictment of the Riggs Bank officers was incorrect, and he adds that my divers statements regarding myself and my activities would be sufficient disclosures to show just what I did in that regard and what my motives were.

On page 21 of the same hearings, referring to entry in my diary, May 21, 1917, Mr. Hogan said:

The May 21st, 1917, entry in this loose diary shows the information I want for other years, which is this: When Mr. Williams was endeavoring to have these men indicted for in any manner being concerned with the Riggs National Bank or its officers he put in his loose-leaf diary what he did and what he said with the commendations of his actions during the years 1914, 1915, and 1916, when this prosecution was going on. That would be very enlightening, and the elaborate excerpt of May 21, 1917, just read proves conclusively they must be there.

The CHAIRMAN. Was not that all stricken out—all reference to your diary and the quotation from it?

Mr. WILLIAMS. I am quoting from the record of the proceedings which was handed me. The extract itself was stricken out but not Mr. Hogan's comment upon it.

The CHAIRMAN. My understanding was that the chairman, Senator McLean, had it all stricken out.

Mr. WILLIAMS. No; the record is here, Mr. Chairman, and this remains in it. Now, Mr. Chairman, for the enlightenment of the committee, I propose to read, including names of individuals, except in cases where it may seem improper to use the names without their permission, in every entry in my diary for 1914, 1915, and 1916 regarding the Riggs Bank controversy concerning conversations on correspondence with either the Secretary of the Treasury or any other Treasury official, the Attorney General or any other official of the Department of Justice, or any officer or director of the Riggs National Bank.

The CHAIRMAN. In accordance with Senator Henderson's suggestion, which met with the approval of the other members of the committee present, my understanding is that extracts from your diary should not be put in unless the entire diary was given us for publicity. The committee, in other words, did not wish to take your diary in executive session and pry into your personal private thoughts.

Mr. WILLIAMS. I am perfectly willing to give the committee all of these entries that I refer to, but not to publish them out of deference to others I would prefer we should go into executive session and that they be not published; but, however, if you—

The CHAIRMAN. I would like Senator Henderson to express himself.

Senator HENDERSON. My suggestion was that in view of the fact that Mr. Hogan had made that statement relative to your personal diary, that you make it over to the committee to use at any time they want to use it. That would close that incident and show your good faith and willingness to submit to the committee anything in it in regard to his charge.

Mr. WILLIAMS. Now, Mr. Chairman, if you desire to do so, may I suggest that the committee hold in abeyance its desires or wishes as

to such portions of that diary as I suggest should go into executive session, but I would like the opportunity, for the information of the committee, in view of the statements of Mr. Hogan which have gone into the record, to read several of those entries.

The CHAIRMAN. Of course, the committee does not wish to interfere in the slightest way with your own method.

Senator HENDERSON. No; but this is the whole question there. If you are going to submit one portion of your diary, Mr. Hogan will have the right to ask to examine the whole diary.

Mr. WILLIAMS. I am perfectly willing that the committee in executive session shall have the confidential as well as the other portions, but I would like to bring out certain extracts from that diary which I see no objection to giving publicity to.

Senator HENDERSON. I do not see the need of that. That is how the matter stands in my mind now.

Mr. WILLIAMS. Mr. Chairman, then I ask this privilege, anyhow. In view of the statements in the record of Mr. Hogan relating to this particular entry of May 21, 1917, I ask permission to reproduce that. I think that is fair.

The CHAIRMAN. I could hardly reverse the attitude of the committee expressed by the chairman that it was to be stricken out. I think your position is perfectly correct. You have submitted your diary in toto—placed it before the committee—and, if my recollection is good, that the committee was satisfied with your submission of the diary and asked if you would take it away, as they did not wish to pry into it. I think if you will kindly omit the quotations from the diary—

Mr. WILLIAMS. Well, this is a very extraordinary position to be put into, for the committee—for the witnesses of the other side who had clamored for the diary, or rather, for the committee to be declining or unwilling to put it in and for me to be offering it so freely.

The CHAIRMAN. The attitude of the committee, it seems to me, is entirely complimentary to yourself, Mr. Williams, and certainly no reflection on you. They acknowledge receipt of the diary, and are satisfied with its submission without printing it.

Mr. WILLIAMS. Well, then, Mr. Chairman, we will lay aside that question for the moment, and I ask permission to introduce a telegram which I sent to Gen. Charles G. Dawes, former Comptroller of the Currency, on September 8, 1919. I want to frankly state to you that this telegram which I have addressed to Gen. Dawes relates to that entry in my diary, but as the telegram has not an answer in the diary, and as it has occurred since the meeting of the committee, with your permission I should like to read that telegram and his reply.

The CHAIRMAN. I have no objection at all.

[Telegram.]

TREASURY DEPARTMENT,
Washington, September 8, 1919.

Gen. CHARLES G. DAWES,
Waldorf-Astoria,
New York, N. Y.:

At recent meeting Senate Banking and Currency Committee, Hogan, former attorney for Riggs Bank, asked that I be requested to submit to committee my personal diary with special reference to entries relating to Riggs controversy.

I have expressed to committee my willingness to comply so far as I am concerned. In my diary, under date of May 21, 1917, I find an entry to the effect that you had called that morning to pay your respects, that being the first time you had been in Washington since I had been comptroller, and had commended my administration of office and had stated that in the Riggs Bank case you had taken pains to read both sides and thought I had clearly demonstrated correctness my position; that you also highly commended Secretary McAdoo's administration of Treasury and thought he would go down in history as one of the great men of the time. May I ask if you have any objection to my including diary entry relative to your visit with other excerpts from diary which I intend to lay before committee? Am gratified to inform you that although investigation has been going on off and on over six months, not a single one of the 85,000 officers and employees of about 8,000 national banks under my supervision has appeared voluntarily before committee to make complaint, and testimony of only national bank executive officer who has appeared in response to summons from committee was shown to be substantially false from start to finish. Regret sincerely that I was absent a few days ago when you called at comptroller's office. Let me take this occasion to offer you my warm congratulations upon the splendid services you rendered our country in France in the hour of need and upon the unselfish patriotism and excellent ability which have characterized your work.

JOHN SKELTON WILLIAMS.

ANSWER OF GEN. CHARLES G. DAWES.

(Western Union Telegram.)

JOHN SKELTON WILLIAMS,
Comptroller of Currency, Washington, D. C.:

Telegram received. Have no objection to your quoting diary.

CHARLES G. DAWES.

The CHAIRMAN. Is that a personal telegram or official business?

Mr. WILLIAMS. Personal, and the answer is.

Senator HENDERSON. That refers, of course, to the entry made on May 21 that you read here some days ago?

Mr. WILLIAMS. Yes.

Senator HENDERSON. Did Mr. Hogan make any special reference to that before you read it?

Mr. WILLIAMS. No; but he commented on it after I had read it. This comment of his is what I have just read a few minutes ago. Then, I had expected, Mr. Chairman and gentlemen, to follow that up with the other excerpts, but I understand it is your wish that I should pass those by.

On page 12 of the testimony of September 5 Mr. Hogan claims that I sent to the committee certain letters and communications after I had announced that "I was entirely through." That statement is entirely untrue. I never represented to this committee that I had completed my answers to the many false statements which were being presented to your honorable committee, but, on the contrary, when your committee adjourned in July it was with the expressed understanding that I should have the opportunity of putting into the record further statements. This the record clearly shows. Mr. Hogan on different instances consumed much of your valuable time listening to his repetition of my denunciations of the false statements with which he and other witnesses have crowded this record. I now declare that I consider the strong language I have used well justified, and also call attention to the fact that my strong denunciations of his false statements have been fully warranted. I think the committee has noted the savage, persistent, and vindictive character of the attacks upon me.

Mr. Hogan next takes up the perjury case and charges that I was responsible for the indictments and, second, that Mr. Untermeyer offered to prevent the indictment of the Riggs's officers if the Riggs's officers should resign, and that, third, that I was cognizant of that offer. All three statements are wholly untrue, as the records will show. I ask your attention to the following excerpts from the testimony by Mr. Lasky, pages 388 and 389 of these hearings. Mr. Lasky testified as follows:

That affidavit stated that "the said bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; that the Riggs National Bank never at any time, from its organization to the present, ever made a short sale of stock to or through Lewis Johnson & Co.; that if there are any entries on the books of the bank or firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock, or made short sales those entries are false."

At the time the affidavit was read, or the day after it was presented, it was called to the attention of the court that it was a serious matter; that it presented a direct contradiction between the two affidavits, and either one was false or the other was false.

After the argument of the case was over, the court, Mr. Justice McCoy, spoke to me about that affidavit and stated that in his opinion it was a matter to be presented to the grand jury.

There, gentlemen, is the statement of the district attorney that it was the judge hearing the equity trial who first suggested that that affidavit should be presented to the grand jury. Continuing to quote Mr. Lasky:

There was an investigation made, the records of the bank were searched to trace the stock transactions referred to in the Wesley Bennett affidavit, and the results of those investigations were communicated to me. It was my duty, of course, to consider whether or not that affidavit was false and whether it was willfully false. I conferred with the then Attorney General, Mr. Gregory, and in an interview I had with him at which no one was present but him and myself, he stated that it was for us—that is, himself and myself—to determine whether or not the matter should be presented to the grand jury, and that he would rely upon my judgment, after an investigation of the facts, as to whether or not the affidavit was false, and willfully false.

I made such an investigation, and told him that in my opinion it was willfully false. He told me then to proceed as I would in any other criminal case, and said that if I needed any assistance from the department he would give it to me. I told him I would like to have Mr. Fitts participate in the case, and he said he would assign him to it.

The matter was presented to the grand jury, and the grand jury presented the defendants.

I ask for the insertion here of the indictment of three officers, Charles C. Glover, W. J. Flather, and H. H. Flather.

[In the Supreme Court of the District of Columbia, holding a criminal term. April term, A. D. 1915.]

DISTRICT OF COLUMBIA, ss:

The grand jurors of the United States of America, in and for the District of Columbia aforesaid, upon their oath do present:

That at the time of the commission in the office in this indictment herein-after set forth, and at the District of Columbia aforesaid, there was pending before and within the jurisdiction of the Supreme Court of the District of Columbia, in the equity division thereof, a certain cause in which the Riggs National Bank, of Washington, D. C., was plaintiff and John Skelton Williams, as Comptroller of the Treasury of the United States, William Gibbs McAdoo, as Secretary of the Treasury of the United States, and John Burke, as Treasurer of the United States, were named as defendants; said cause being numbered equity 33360 upon the docket of said Supreme Court of the District of Columbia.

I have expressed to committee my willingness to comply so far as I am concerned. In my diary, under date of May 21, 1917, I find an entry to the effect that you had called that morning to pay your respects, that being the first time you had been in Washington since I had been comptroller, and had commended my administration of office and had stated that in the Riggs Bank case you had taken pains to read both sides and thought I had clearly demonstrated correctness my position; that you also highly commended Secretary McAdoo's administration of Treasury and thought he would go down in history as one of the great men of the time. May I ask if you have any objection to my including diary entry relative to your visit with other excerpts from diary which I intend to lay before committee? Am gratified to inform you that although investigation has been going on off and on over six months, not a single one of the 85,000 officers and employees of about 8,000 national banks under my supervision has appeared voluntarily before committee to make complaint, and testimony of only national bank executive officer who has appeared in response to summons from committee was shown to be substantially false from start to finish. Regret sincerely that I was absent a few days ago when you called at comptroller's office. Let me take this occasion to offer you my warm congratulations upon the splendid services you rendered our country in France in the hour of need and upon the unselfish patriotism and excellent ability which have characterized your work.

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That at the time of the commission in the office in this indictment herein-after set forth, and at the District of Columbia aforesaid, there was pending before and within the jurisdiction of the Supreme Court of the District of Columbia, in the equity division thereof, a certain cause in which the Riggs National Bank, of Washington, D. C., was plaintiff and John Skelton Williams, as Comptroller of the Treasury of the United States, William Gibbs McAdoo, as Secretary of the Treasury of the United States, and John Burke, as Treasurer of the United States, were named as defendants; said cause being numbered equity 33360 upon the docket of said Supreme Court of the District of Columbia.

That a bill of complaint has been filed in said cause by the plaintiff, in which among other things, it was alleged that the said defendants, John Skelton Williams and William Gibbs McAdoo, had confederated, combined, and conspired so to use and abuse and exceed the powers conferred on them by the laws of the United States as to impose upon the said plaintiff unlawful, excessive, and ruinous penalties, and entirely to cut off the plaintiff from certain large bank deposits theretofore held by it, and greatly to injure and destroy the business of said plaintiff; and that it was the purpose and intent of the said defendants, John Skelton Williams and William Gibbs McAdoo, willfully and maliciously to inflict irreparable injury upon the plaintiff, in defiance of the official oaths of said John Skelton Williams and said William Gibbs McAdoo, and wrongfully to subject the plaintiffs to their uncontrolled and arbitrary actions, which were unauthorized by any law and in violation of plaintiff's property rights in the premises, and thereby impair, confiscate, or destroy the same. That the said bill of complaint further alleged that the said defendants, John Skelton Williams and William Gibbs McAdoo, had persecuted the plaintiff for the purpose of destroying the business of said plaintiff, and thereby the said defendants, John Skelton Williams and William Gibbs McAdoo, had prostituted their high public offices and violated their oaths in order to vent their personal vindictiveness against the officers of said plaintiff bank; that the defendant, William Gibbs McAdoo, had discontinued the plaintiff bank as a depository for Government funds, and had forced the withdrawal and withholding of certain large deposits from said plaintiff bank, in a deliberate attempt to wreck said plaintiff bank, in execution of the said conspiracy existing between said William Gibbs McAdoo and said John Skelton Williams for that purpose, arising out of the personal hatred by said defendants, John Skelton Williams and William Gibbs McAdoo, of certain officers of said plaintiff bank. That the said bill of complaint further alleged that out of a personal, malicious, vindictive, and arbitrary purpose to injure and harass the plaintiff bank, the said defendant, John Skelton Williams, had notified the said plaintiff bank that he, the said John Skelton Williams, as Comptroller of the Currency of the said United States, until further notice, would refuse to approve the said plaintiff bank as a depository for the reserves of other national banks. That the said bill of complaint prayed for relief, among other things, to the effect that the defendant, William Gibbs McAdoo, might be enjoined during the pendency of said cause, as well as also permanently, from aiding, assisting, or abetting the defendant, John Skelton Williams, in any manner whatever, in any of the matters and things complained of in said bill of complaint; and that the defendant, John Skelton Williams, might be enjoined during the pendency of said cause, as well also permanently, from revoking the plaintiff's designation as a depository for the reserves of other national banks; or from refusing to approve the plaintiff bank as such depository; and that if the said John Skelton Williams had in form revoked such designation, or had in form refused such approval, such revocation or refusal might be decreed to be null and void.

That upon the filing, as aforesaid, of said bill of complaint an order was issued by said Supreme Court of the District of Columbia in said cause, requiring, among other things, that the said John Skelton Williams show cause why he should not be enjoined, pending said suit, from revoking said plaintiff's designation as a depository for the reserves of other national banks, or from refusing to approve the plaintiff bank as such depository; and that the defendant William Gibbs McAdoo show cause why he should not be enjoined, pending said suit, from aiding, assisting, or abetting the defendant John Skelton Williams, in any manner whatever, in any of the matters or things complained of in said bill of complaint.

That in answer to the said order of the said Supreme Court of the District of Columbia certain affidavits were filed in said Supreme Court of the District of Columbia in behalf of said defendants John Skelton Williams and William Gibbs McAdoo; that is to say, there were filed in said cause, among other affidavits, the affidavit of said defendant John Skelton Williams, the affidavit of said defendant William Gibbs McAdoo, and the affidavit of one Wesley M. Bennett.

That in said affidavit of the said defendant John Skelton Williams, among other things, the said John Skelton Williams denied that he had conspired with the defendant, William Gibbs McAdoo, Secretary of the Treasury, in any manner whatever to injure or destroy the said plaintiff bank, or that he, the said John Skelton Williams, had any such intention, or that any of his acts as Comptroller of the Currency of the United States was caused by

malice, hatred, or ill will toward said plaintiff bank, or its officers, or any of them; and the said John Skelton Williams in said affidavit stated that, on the contrary, each and every act of him, the said John Skelton Williams, complained of in said bill of complaint, was done by him, the said John Skelton Williams, in the honest performance of his duties as Comptroller of the Currency of the United States and in the best exercise of his judgment and discretion; that upon an examination into the affairs of plaintiff bank, he, the said John Skelton Williams, had learned that the said plaintiff bank had continuously conducted a large and extensive stock-brokerage business, and had bought and sold stocks and other securities, both for itself and on commission for others; the said plaintiff bank had publicly advertised itself as engaged in the business of buying and selling stocks and bonds for customers; that said business conducted by a national bank was conducted in violation of law; that the said plaintiff bank had been admonished, in the years of our Lord 1903, 1904, and 1906; that the said stock-brokerage business was beyond the powers of said bank and should not be continued; that when so admonished in the year of our Lord 1906, the said plaintiff bank adopted methods of conducting said business whereby various officers of the said bank, to wit, one Charles C. Glover, president of said bank, one William J. Flather, one of the vice presidents of said bank, and one Henry H. Flather, cashier of said bank, were to carry on the stock-brokerage business in their own names and from time to time were to give to the said bank the profits therefrom, and accordingly thereafter so conducted the said stock-brokerage business; and that the action of him, the said John Skelton Williams, in refusing to approve the said plaintiff bank as a depository for reserves of other banks, was based, in part, upon the said unlawful conduct of stock-brokerage business by said bank, and was done in the exercise of the best judgment of him, the said John Skelton Williams, as Comptroller of the Currency of the United States.

That in said affidavit of the said defendant, William Gibbs McAdoo, among other things, the said William Gibbs McAdoo denied the charges of his having conspired with the said defendant, John Skelton Williams, to injure the plaintiff or its business; and denied that he, said William Gibbs McAdoo, had openly or publicly, or in any other way, manifested or entertained personal malice or ill will toward or against the said plaintiff or any of its officers; that he, the said William Gibbs McAdoo, had been informed that the said plaintiff bank and its officers had been, or were, conducting a stock-brokerage business within the bank, contrary to the national banking act, and by evasive means; that a large part of the resources of said bank was being employed in carrying speculative accounts secured by stocks and bonds; that the said bank was doing a far smaller proportion of commercial business, compared to its deposits and resources, than any other national bank in Washington, D. C., although the deposits in said plaintiff bank were larger than those of any other national bank in said District of Columbia; at he, the said William Gibbs McAdoo, finally reached the conclusion that it was not in the public interest to deposit Government funds in the plaintiff bank, or to advise their deposit in said bank, because, among other reasons, he, the said William Gibbs McAdoo, did not believe that funds of the Government should be placed in banks in which the officers were conducting a stock-brokerage business within the bank and using such funds, directly or indirectly, for the carrying of speculative accounts in stocks and bonds, in violation of the spirit, if not of the letter, of the national bank act, and especially when such funds could be employed with greater benefit to the public by depositing them in banks that would use them for legitimate commercial purposes.

That for the purpose of showing that the said plaintiff bank had conducted a stock-brokerage business as in the said affidavits of said John Skelton Williams and, said William Gibbs McAdoo alleged, and in order to show the nature and extent thereof there was filed, as aforesaid, the said affidavit of said Wesley M. Bennett and there was attached thereto and filed therewith a certain transcript of an account as it appeared upon the books of a certain stock-brokerage firm known as Lewis Johnson & Co. between the said Riggs National Bank and the said Lewis Johnson & Co., which said transcript of account showed certain stock transactions between the said Riggs National Bank and the said Lewis Johnson & Co.

That upon the questions and issues arising in said cause upon the allegations of the said bill and the averments of the said affidavits as hereinbefore set out, as well as upon other questions and issues involved in said cause, it became and was material matter before said Supreme Court of the District of

Columbia to determine whether or not the said Riggs National Bank of Washington, had conducted a stock-brokerage business and had bought or sold stock from or through the said Lewis Johnson & Co., and, in connection therewith, to determine whether the books of said Lewis Johnson & Co., wherein they indicated that said Riggs National Bank had bought stock, or sold stock, from or through said Lewis Johnson & Co., were true accounts and entries of transactions, or whether they were false accounts and entries of transactions.

And the grand jurors aforesaid, upon their oath aforesaid, do further present:

That on, to wit, the 19th day of May, in the year of our Lord 1915, and at the District of Columbia aforesaid, one Charles C. Glover, one William J. Flather, and one Henry H. Flather, each late of the District of Columbia aforesaid, in the said cause, pending, as aforesaid, before and within the jurisdiction of the said Supreme Court of the District of Columbia, feloniously, willfully, falsely, maliciously, and corruptly, before one Bessie B. Sheehy, she, the said Bessie B. Sheehy, then and there being an officer and person competent to administer such oath, that is to say, then and there being a notary public in and for the said District of Columbia, and said cause being a case in which a law of the United States authorized such oath to be administered, did take oath that the certain written declaration, deposition, and certificate (hereinafter referred to as declaration), by the said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather subscribed, was true; and said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather, having taken the said oath as aforesaid, did feloniously, willfully, falsely, maliciously, and corruptly, and contrary to said oath, then and there state and subscribe matter material to the questions and issues in the said cause pending, as aforesaid, which they, the said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather then and there did not believe to be true; that the said declaration was, in substance, as follows:

"Charles C. Glover, William J. Flather, and Henry H. Flather, being first duly sworn, on oath say that they are, respectively, the president, one of the vice presidents, and the cashier of the Riggs National Bank; that they have been connected with that institution since the first day of its organization as a national-banking association; that the said bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co.; that the Riggs National Bank never at any time from its organization to the present ever made a short sale of stock to or through Lewis Johnson & Co.; that if there are any entries on the books of the bankrupt firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock, or made short sales, those entries are false; these affiants, on information and belief, say that an examination of the books of Lewis Johnson & Co. since that firm was declared bankrupt has shown many fictitious accounts, and the use of many accounts for the false entries of alleged transactions."

That the said declaration was false in certain matters material to the questions and issues in said cause pending, as aforesaid, in this, to wit, that said declaration stated that the said Riggs National Bank never at any time bought or sold any stock whatever from or through the firm of Lewis Johnson & Co., whereas, in truth and in fact, the said Riggs National Bank, on divers days and times between, to wit, the month of June, in the year of our Lord 1909, and the month of October, in the year of our Lord 1913, had bought and sold stock from and through the said firm of Lewis Johnson & Co.; that said declaration further stated that if there were any entries on the books of the bankrupt firm of Lewis Johnson & Co. which purported to show that the Riggs National Bank bought stock or sold stock, these entries were false; whereas, in truth and in fact, the entries on the books of the said firm of Lewis Johnson & Co. purporting to show that the said Riggs National Bank bought stock and sold stock were true entries, and not false as in said declaration stated; and the said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather, at the time of subscribing the said declaration and taking oath that the matters therein contained were true, well knew the said declaration to be false, as aforesaid; and so the grand jurors aforesaid, upon their oath aforesaid, do say that the said Charles C. Glover, the said William J. Flather, and the said Henry H. Flather, on the day and year aforesaid, and at the District of Columbia aforesaid, did commit willful and corrupt perjury, against the form of the statute in such case made and provided, and against the peace and government of the said United States.

Attorney of the United States in and for the District of Columbia.

The CHAIRMAN. Can you make the circumstances a little more clear and state the verdict, to be perfectly fair?

Mr. WILLIAMS. Certainly.

Senator HENDERSON. May I ask one question there? What is the purpose of putting the indictment into the record?

Mr. WILLIAMS. The indictment is quite full and gives the grounds upon which the indictment was based as appeared to the grand jury.

The CHAIRMAN. I do not see—you are the best judge of what would help your own situation, but you pick out three innocent men who have been acquitted of what you describe as a crime for the purpose of publishing a charge against them, does not seem quite consistent with your attitude of fairness.

Mr. WILLIAMS. The records show, I think, Mr. Chairman, that the verdict of acquittal was rendered after Mr. Hogan had taken the stand and had admitted or stated that he drew the affidavit, and that it was on his advice that it was signed by those three men. I want to be entirely fair about this matter. I do not think there is any fairness whatsoever shown by the witnesses who crowded this record with these misstatements and unfair charges, but I do not care to press this now.

The CHAIRMAN. No objection on the part of the committee?

Senator HENDERSON. I would suggest, Mr. Chairman, then, in view of the fact that there are only three of us present, that the offer made by the witness be submitted to the chairman for action by the chairman.

The CHAIRMAN. Make a note in the record there, please.

Mr. WILLIAMS. The testimony of the district attorney has never been impeached. Mr. Untermeyer himself has given testimony contradicting the stories of Mr. Hogan. The third person interviewed was Mr. Cromwell, of New York. Mr. Untermeyer has stated to your committee that he had an interview with Mr. Cromwell, and every effort has been made, I understand, to have Mr. Cromwell come down to Washington to substantiate, if he would, Mr. Hogan's false statements and conclusions; and although, as I understand, that five or six dates have been appointed by the committee to hear Mr. Cromwell, he has not to this time appeared. Presumably he agrees with Mr. Untermeyer as to what the latter said. As Mr. Untermeyer has contradicted so clearly and conclusively the statement of Mr. Hogan, I shall content myself with calling attention to a few special paragraphs in the testimony.

On page 684 Mr. Untermeyer, recognized as one of the ablest leaders of the New York bar, said: "In my judgment, Mr. Hogan wholly misapprehends the scope of the proceeding before Judge McCoy and the basis of the decision. There were days of argument before Judge McCoy upon the facts, and his decision was a complete vindication and victory for the Treasury officials so far as the charges made against them for conspiracy and wrongdoing." On page 650, Mr. Untermeyer says:

In conclusion, permit me to say that I greatly regret the perpetuation of this controversy on the part of Mr. Hogan against Mr. Williams, and believe it to be most unjust. Mr. Hogan has doubtless suffered great agony of mind, more particularly because of the affidavit for which he was responsible and which may account for his bitterness. To my mind, Mr. Williams showed great breadth and magnanimity in deciding to extend the charter of the bank. I

the hours of 3 and 4 o'clock, by Mr. James Trimble, national-bank examiner, regarding the advices which you desire us to report about.

We understand these advices, which were used by Mr. Hogan in the perjury trial against Riggs Bank officers, were submitted to the Banking and Currency Committee recently and that they are now in Mr. Hogan's possession, and he is absent from the city and will return late this week or early next week. In the meantime we have asked Mr. J. J. Darlington, the general counsel of the bank, to look into the matter. As soon as we have heard from him we will be pleased to report further concerning your inquiry.

Very truly, yours,

(Signed)

JOSHUA EVANS, Jr., *Cashier*.

(He attached a letter from Riggs Bank, September 8, to Mr. Darlington, as follows:)

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,

Washington, D. C., September 8, 1919.

J. J. DARLINGTON, Esq.,

Attorney at Law, 410 Fifth Street NW.,

Washington, D. C.

DEAR SIR: The Riggs National Bank received, between 3 and 4 o'clock this afternoon, a letter from the Comptroller of the Currency, dated September 6, 1919, delivered in person by Mr. James Trimble, national-bank examiner, a copy of which is inclosed.

Mr. Hogan has possession of certain bills and advices which were used in the perjury trial against officers of the Riggs National Bank, and these I understand he exhibited to the Banking and Currency Committee a few days ago in connection with the controversy between himself and the Comptroller of the Currency regarding the bills and advices in question.

As one of the counsel for the bank will you please have these bills and advices gone over to see if they are the ones the comptroller desires us to report about?

Meanwhile we have acknowledged the letter of the Comptroller of the Currency dated September 6, 1919, and have also sent him a copy of our letter of this date to you.

Very truly, yours,

(Signed)

JOSHUA EVANS, Jr., *Cashier*.

On receipt of that I addressed this letter:

SEPTEMBER 9, 1919.

RIGGS NATIONAL BANK, *Washington, D. C.*

SIR: I have your letter of the 8th instant, acknowledging my letter of September 6 delivered to you yesterday, in which I requested you to inform me how many of the purchase and sale slips or notices sent your bank by the brokerage firms with whom the transactions referred to in my letter were made were still actually in your possession, and whether those purchase and sale slips now in your possession cover all of the five or six thousand transactions referred to between the Riggs National Bank and the brokerage firms mentioned.

You now tell me that the notices or purchase and sale slips which were submitted to the Banking and Currency Committee on Friday last are in Mr. Hogan's possession, and that he is absent from the city to be gone some days, but that you have asked Mr. J. J. Darlington, general counsel of your bank, to look into the matter.

On Friday, the 5th instant, Mr. Hogan, in testifying before the Senate committee relative to the "purchase and sale slips" or "notices" which the vice president of your bank, Mr. W. J. Flather, had declared had been destroyed or, as he expressed it, "thrown away," stated to the committee:

"Senators, first, those papers were not destroyed." * * *

Mr. Hogan had just read the following extract from my letter to the Senate committee of August 12:

"Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customer of the bank."

Senator Henderson then asked Mr. Hogan: "Are those the papers referred to in that statement just read?" To which Mr. Hogan replied: "Yes; pre-

cisely; not only—Senator Henderson, that statement, which he makes now—not only were they produced in court but Mr. James Trimble, national-bank examiner, who has been in this room every day of these hearings, with his assistants, between May, 1915, and December, 1915, examined in the board room of the Riggs National Bank every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble or one of his assistants, which number corresponds with a number placed by Mr. Trimble or one of his assistants on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transaction."

A little later Mr. Hogan declared to the committee: "Every one of them were found in the cellar of the bank, where they had been piled up; they ran back several years. This package is only a sample."

Senator Henderson asked Mr. Hogan the following question:

"As I understand it, he claims certain records were destroyed, and that you have produced these to show they were not?"

"Mr. HOGAN. Yes.

"Senator HENDERSON. Were any records at all destroyed?"

"Mr. HOGAN. None. Put that as strong as you can. Borrow Williams' italics for it. Get shrieking capitals. Put it in the record upon my word as a member of your own profession and a citizen of your country—NONE."

As it was the rule and practice of the brokerage firms to send notices or purchase and sales slips of all such transactions, all such notices or purchase and sales slips for the five or six thousand transactions referred to must still be in the possession of your bank, if Mr. Hogan, as quoted above, was telling the truth.

I understand from the national-bank examiners, however, that only a portion of those notices or sales slips relating to the five or six thousand transactions were ever exhibited to them, the examiners, by your officers, or were ever found by the examiners in your cellar or elsewhere.

While Mr. Darlington is looking into the subject, I will thank you to inform me whether your bank has preserved any other notices or purchase and sales slips of the character referred to except those you say are now in the possession of Mr. Hogan, and which, you state in your letter, were presented to the Banking and Currency Committee on Friday.

If you have any other "purchase and sale slips" or "notices" relating to transactions referred to in my letter of the 6th, please advise how many you have, and what period and how many transactions they cover; and I will also thank you to give me specifically, as promptly as possible, the data asked for in regard to those purchase and sales slips or notices taken possession of by Mr. Hogan.

Respectfully,

(Signed)

JNO. SKELTON WILLIAMS,
Comptroller.

On September 9 I received this letter from Riggs National Bank:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 9, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: We are in receipt of your letter of September 9, 1919, further in the matter of the advices or papers referred to in your letter of September 6, 1919, to which we replied on receipt yesterday (the 8th instant) that Mr. Frank J. Hogan was out of town and would not be back until the latter part of this week or early next week, wherefore we had referred the matter to one of our general counsel, Mr. J. J. Darlington.

We are referring a copy of your letter of the 9th instant to Mr. Darlington in connection with your former letter on this subject, and hope to advise you in the matter as soon as Mr. Darlington has responded with respect to the letter already submitted to him.

Very truly, yours,

(Signed)

JOSHUA EVANS, Jr., *Cashier.*

We have been unable to get any information whatsoever as to the missing purchase and sales slips.

Senator HENDERSON. Mr. Williams, upon what do you base your belief that there are missing purchase and sales slips?

doubt whether I would have done so upon the facts, as I know them to exist, if I had been Comptroller of the Currency, or that any stranger to whom that record was submitted would have felt justified in extending the charter unless the men who were responsible for the offenses against the banking law were retired from the management.

Then follow questions addressed to Mr. Untermeyer by the chairman:

The CHAIRMAN. Mr. Untermeyer, you were counsel for Mr. Williams in the equity suit?

Mr. UNTERMEYER. Only in the way I have explained. I did not regard myself as representing Mr. Williams any more than the Attorney General represented Mr. Williams. I was a special assistant to the Department of Justice, paid by the Department of Justice, paid by nobody else, under duty to nobody else. These officials had been attacked in their official capacity. They were entitled to be defended by the Department of Justice.

The CHAIRMAN. As he was immediately the defendant in the equity suit you probably had occasion to consult with him frequently about these matters?

Mr. UNTERMEYER. Very little, except when the affidavit was being drawn in the equity suit. I drew Mr. McAdoo's affidavit myself. I did not, as I remember, draw Mr. Williams's affidavit. You see, Mr. Brandeis had been in this matter before I came into it. He had been advising Mr. Williams.

The CHAIRMAN. You did have some conversation with Mr. Williams about this case, probably?

Mr. UNTERMEYER. Oh, yes; certainly.

The CHAIRMAN. Did you discuss with him the criminal proceedings?

Mr. UNTERMEYER. No, sir.

The CHAIRMAN. That subject was never mentioned?

Mr. UNTERMEYER. I do not recall ever having discussed the criminal proceedings with Mr. Williams. I discussed it with the Department of Justice.

The CHAIRMAN. Did you ever state to Mr. Williams your view in regard to that?

Mr. UNTERMEYER. I do not think I did. I did not understand that Mr. Williams had anything to do with it. Mr. Gregory was simply wild about this thing. We came back from the hearing that day, after that affidavit had been read into the record in which it was stated that if there were any entries on Lewis Johnson & Co.'s books, transactions with the Riggs Bank, they were fictitious, and he was in a terrible rage about it.

The CHAIRMAN. You know what the comptroller's view was with regard to the criminal proceedings?

Mr. UNTERMEYER. I do not think I do, so far as I recall, Mr. Chairman. I did not think that I had anything to do with it or with him. My connection ceased when Judge McCoy—

The CHAIRMAN. Yes; but the subject was brought up. You and Mr. Cromwell and Mr. Hogan—I did not know but in view of these repeated conversations with counsel for the other side bearing specially upon this subject of the criminal proceeding you might have discussed it with Mr. Williams—

Mr. UNTERMEYER. It may be, Mr. Chairman.

The CHAIRMAN (continuing). And expressed your view to him?

Mr. UNTERMEYER. It may be, Mr. Chairman, but I do not recall having done so. There were a good many things in connection with this transaction that I did not recall when I first saw Mr. Hogan's testimony. The whole thing had faded from my memory, and I had to rake up and refresh my mind and have my son talk with Mr. Cromwell, and in that way bring the picture back before my mind.

The CHAIRMAN. Did you not have conversations with the comptroller in regard to the importance of having this suit withdrawn?

Mr. UNTERMEYER. No, sir. I never talked with him, as far as I recall, about that subject at all. Remember, this appeal was made to me. I did not go to somebody else. I was not acting in any professional way. Nobody was paying me; nobody was suggesting it. I would not have taken pay. They were appealing to me to see what I could do, and everybody understood that it was a foregone conclusion that the case would either have to be tried or Judge McCoy would have to be reversed in his view of the law as to the powers of the comptroller before the charter could be renewed.

Senator FLETCHER. Were you in a position to assure Mr. Hogan at that time that there would be no more talk of indictment and no indictment would be brought if that was done?

Mr. UNTERMYER. I had not any sort of power and did not assume to exercise any sort of power. I was not representing anybody.

The CHAIRMAN. Just one question more, referring back to the other matter: I assume that you did consider yourself as counsel for the respondent in the civil proceeding until it was ultimately withdrawn or dismissed?

Mr. UNTERMYER. No; I considered the civil proceeding ended when Judge McCoy decided it, because, for all practical purposes and intents, it was ended, and I was going away and I had discharged my mind of it. Mr. McAdoo had been charged with a conspiracy. If what the complaint said was true, or a fraction of it was true, these people were unfit to be public officials. He had been not only vindicated, which was the thing in which I was interested, but the suit had been shown to be a grossly groundless and malicious suit.

I think, Mr. Chairman and gentlemen, that that may be considered a pretty complete, effective answer to the rambling misstatements which Mr. Hogan made on that subject upon occasion of his last appearance before the committee.

Mr. Chairman, I want to apologize to the committee or to explain possibly a delay in placing my hands upon the records which I am using. The stenographic report of the last proceedings were not finally delivered to me until half past 9 o'clock this morning. I got them in installments during yesterday, and I think possibly a portion of the day before, but the conclusion did not reach me until this morning at half past 9, and I have not yet had the opportunity of glancing over the last installments of the last testimony of Hogan. In my letter to this committee, Mr. Chairman and gentlemen, of August 12, I quoted from the examination by a national-bank examiner of the officers of the bank, relative to the disposition or disappearance of certain records especially relating to the five or six thousand transactions between the Riggs Bank and certain brokerage firms. I also call attention to Mr. Hogan's denial as to the destruction of those records. I said, on page 13, of my printed letter to this committee, August 12, "I want to say while I am looking for this, that during the entire existence of the Riggs National Bank, none of its records were ever destroyed. No one had ever intimated that any of its records had been or would be destroyed, there was never any reason for destroying its records." How Mr. Hogan could have made such a statement as that, if no one had ever intimated that any of its records had been or would be destroyed, after the cashier or the vice president had specifically stated as shown in the record in regard to purchase and sales slips, "they were thrown away," should be explained.

After that testimony had been given by Mr. W. J. Flather the examiner, Trimble, located a number—some hundreds—of those purchase and sales slips, and the witness Hogan presented to your committee a bundle of those—of what he stated were purchase and sales slips, claiming that they had not been destroyed. Mr. Hogan said the vice president, Flather, was incorrect in stating that they had been done away with. My statement in this letter to the committee of

August 12 stands. He has never—he, Mr. Hogan, has not shown the incorrectness of a single syllable or letter in that statement. When after he made that extraordinary statement that he records which it was claimed had been destroyed that they had not been destroyed but were found, I then took occasion, took steps to ascertain whether there was any foundation for his claim which he made to your committee.

Senator HENDERSON. Mr. Williams is right there. Will you explain to the committee the object or purpose of the issuance of that letter of August 12? What were your reasons for sending it? Was it on request?

Mr. WILLIAMS. This letter contained matters relating to my defense which I thought of very great importance and should be before the committee. I sent this letter to the committee about August 12, hoping it would be promptly printed and distributed to the members of the committee so that they might acquaint themselves with the contents during the recess of the committee. It had been stated before the committee had adjourned in July that I would have the opportunity of sending in any additional evidence that I desired to submit. The record will show that I think, and it was in pursuance of that understanding that I embraced in this letter many matters which I felt it highly important should be brought to the attention of the committee. After waiting two or three weeks I learned that the—that my typewritten letter had not, up to that time, been sent to the Government Printing Office, and feeling from my standpoint that it was important that these facts should be gotten before the committee as early as possible, in view of their reassembling—I understood they were to meet again before the 1st of September—I had the letter printed myself, at my own expense, and sent over to the chairman of the committee 16 copies of this printed communication, one for each member of the committee, so that if they saw fit to do so, they might have the opportunity of reading it and getting the essential information before the committee should reconvene.

Under date of September 6, 1919, I addressed this letter to the Riggs National Bank, Washington:

SEPTEMBER 6, 1919.

RIGGS NATIONAL BANK,
Washington, D. C.

Sirs: I understand that the records show that in the several years immediately preceding the summer of 1914, the Riggs National Bank had some five or six thousand transactions in securities, largely in stocks, with the brokerage firms of Lewis Johnson & Co. and J. B. Colgate & Co., and that, in connection with those transactions *notices* reporting purchases and sales were customarily addressed to the Riggs National Bank by the brokerage firms.

At the examination of the officers of your bank, held on May 28, 1915, Bank Examiner Smith addressed to officers of your bank the following questions:

"How about the confirmation slips of purchases and sales sent to the bank by Lewis, Johnson & Co.? Are those filed?"

The following colloquy then ensued between W. J. Flather, vice president of the bank, and the national-bank examiner:

"Mr. W. J. FLATHER. Filed, you say?"

"Examiner SMITH. Yes."

"Mr. W. J. FLATHER. There may be some of them in the office, Mr. Smith, but I do not know that they were filed. They were frequently put on the spindle as other orders for drafts and the like of that. There may be some of them in the office; I do not know."

"Examiner SMITH. Do you mean—"

"Mr. W. J. FLATHER (interrupting). They were not kept for any time.
 "Examiner SMITH. Not kept at all, you mean?
 "Mr. W. J. FLATHER. No; they were not considered of any value.
 "Examiner SMITH. Were they just—
 "Mr. W. J. FLATHER (interrupting). They were put on the spindle and from time to time, like other waste paper, they were thrown away.
 "Examiner SMITH. They were never permanently filed?
 "Mr. W. J. FLATHER. No.
 "Examiner SMITH. So there is no complete file of them?
 "Mr. W. J. FLATHER. No, sir."

Before yesterday's meeting of the Banking and Currency Committee of the Senate, Mr. F. J. Hogan, who had stated to the committee that he is of counsel for your bank, although when he appeared before the committee in July he claimed not to be representing your bank, denied most positively and unequivocally that the records referred to had ever been destroyed; and he laid before the committee a bundle which he said contained the purchase and sales slips about which inquiry had been made by National-bank Examiner Smith on May 28, 1915.

Please inform me how many of these purchase and sales slips or notices your bank now actually has in its possession—how many of "purchases" and how many of "sales"—and whether these purchase and sales slips cover all of the aforesaid five or six thousand transactions between the Riggs National Bank and the brokerage firms mentioned.

A prompt reply to this letter is requested.

Respectfully,

(Signed) JNO. SKELTON WILLIAMS,
 Comptroller.

As to my understanding of the transaction, I quote the following statement from the court (official record, vol. 6, pp. 545-546, equity suit):

The CHAIRMAN. This is not in the letter?

Mr. WILLIAMS. No; no; this is not in the letter.

The COURT. There are 6,000 entries on the books of the Riggs Bank of transactions standing in the name of the bank on those books. I do not know how many checks there are, but there are some of them, and they say they settled by check in that way, or else by the pass book.

Mr. UNTERMYER. We say there are thousands of them.

The COURT. The affidavit filed yesterday not only denied specifically that the Riggs Bank had any transactions, but contains the statement which I have referred to, that Lewis Johnson & Co. would make fictitious entries. That is the end of that part of the affidavit which characterizes the whole affidavit, and, without commenting upon it, it has got to be explained with reference to this affidavit that is filed here now.

* * * * *

No, Mr. Hogan. Let me see that affidavit that was filed yesterday. [The document was handed to the court.] The statement is that "if there are any entries on the books of the firm of Lewis Johnson & Co. which purport to show that the Riggs National Bank bought stock, sold stock, or made short sales, those entries are false." There was only one inference which I drew from that, namely, that the Riggs National Bank, if there was an account in its name on Lewis Johnson's books, did not know that such was the fact. There can not be any other inference drawn from the statement.

Now, I will continue reading my letter of September 6, 1919.

[Continues, beginning with second paragraph:]

In reply to that I have received, under date of September 8, the following letter from Riggs National Bank:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
 Washington, D. C., September 8, 1919.

COMPTROLLER OF THE CURRENCY,
 Washington, D. C.

DEAR SIR: We acknowledge receipt of your letter dated September 6, 1919, but delivered to the Riggs National Bank this afternoon (Sept. 8), between

the hours of 3 and 4 o'clock, by Mr. James Trimble, national-bank examiner, regarding the advices which you desire us to report about.

We understand these advices, which were used by Mr. Hogan in the perjury trial against Riggs Bank officers, were submitted to the Banking and Currency Committee recently and that they are now in Mr. Hogan's possession, and he is absent from the city and will return late this week or early next week. In the meantime we have asked Mr. J. J. Darlington, the general counsel of the bank, to look into the matter. As soon as we have heard from him we will be pleased to report further concerning your inquiry.

Very truly, yours,

(Signed) JOSHUA EVANS, Jr., *Cashier*.

(He attached a letter from Riggs Bank, September 8, to Mr. Darlington, as follows:)

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 8, 1919.

J. J. DARLINGTON, Esq.,
Attorney at Law, 410 Fifth Street NW.,
Washington, D. C.

DEAR SIR: The Riggs National Bank received, between 3 and 4 o'clock this afternoon, a letter from the Comptroller of the Currency, dated September 6, 1919, delivered in person by Mr. James Trimble, national-bank examiner, a copy of which is inclosed.

Mr. Hogan has possession of certain bills and advices which were used in the perjury trial against officers of the Riggs National Bank, and these I understand he exhibited to the Banking and Currency Committee a few days ago in connection with the controversy between himself and the Comptroller of the Currency regarding the bills and advices in question.

As one of the counsel for the bank will you please have these bills and advices gone over to see if they are the ones the comptroller desires us to report about?

Meanwhile we have acknowledged the letter of the Comptroller of the Currency dated September 6, 1919, and have also sent him a copy of our letter of this date to you.

Very truly, yours,

(Signed) JOSHUA EVANS, Jr., *Cashier*.

On receipt of that I addressed this letter:

SEPTEMBER 9, 1919.

RIGGS NATIONAL BANK, Washington, D. C.

SIR: I have your letter of the 8th instant, acknowledging my letter of September 6 delivered to you yesterday, in which I requested you to inform me how many of the purchase and sale slips or notices sent your bank by the brokerage firms with whom the transactions referred to in my letter were made were still actually in your possession, and whether those purchase and sale slips now in your possession cover all of the five or six thousand transactions referred to between the Riggs National Bank and the brokerage firms mentioned.

You now tell me that the notices or purchase and sale slips which were submitted to the Banking and Currency Committee on Friday last are in Mr. Hogan's possession, and that he is absent from the city to be gone some days, but that you have asked Mr. J. J. Darlington, general counsel of your bank, to look into the matter.

On Friday, the 5th instant, Mr. Hogan, in testifying before the Senate committee relative to the "purchase and sale slips" or "notices" which the vice president of your bank, Mr. W. J. Flather, had declared had been destroyed or, as he expressed it, "thrown away," stated to the committee:

"Senators, first, those papers were not destroyed." * * *

Mr. Hogan had just read the following extract from my letter to the Senate committee of August 12:

"Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customer of the bank."

Senator Henderson then asked Mr. Hogan: "Are those the papers referred to in that statement just read?" To which Mr. Hogan replied: "Yes; pre-

cisely; not only—Senator Henderson, that statement, which he makes now—not only were they produced in court but Mr. James Trimble, national-bank examiner, who has been in this room every day of these hearings, with his assistants, between May, 1915, and December, 1915, examined in the board room of the Riggs National Bank every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble or one of his assistants, which number corresponds with a number placed by Mr. Trimble or one of his assistants on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transaction."

A little later Mr. Hogan declared to the committee: "Every one of them were found in the cellar of the bank, where they had been piled up; they ran back several years. This package is only a sample."

Senator Henderson asked Mr. Hogan the following question:

"As I understand it, he claims certain records were destroyed, and that you have produced these to show they were not?"

"Mr. HOGAN. Yes.

"Senator HENDERSON. Were any records at all destroyed?"

"Mr. HOGAN. None. Put that as strong as you can. Borrow' Williams' italics for it. Get shrieking capitals. Put it in the record upon my word as a member of your own profession and a citizen of your country—NONE."

As it was the rule and practice of the brokerage firms to send notices or purchase and sales slips of all such transactions, all such notices or purchase and sales slips for the five or six thousand transactions referred to must still be in the possession of your bank, if Mr. Hogan, as quoted above, was telling the truth.

I understand from the national-bank examiners, however, that only a portion of those notices or sales slips relating to the five or six thousand transactions were ever exhibited to them, the examiners, by your officers, or were ever found by the examiners in your cellar or elsewhere.

While Mr. Darlington is looking into the subject, I will thank you to inform me whether your bank *has* preserved any other notices or purchase and sales slips of the character referred to except those you say are now in the possession of Mr. Hogan, and which, you state in your letter, were presented to the Banking and Currency Committee on Friday.

If you have any other "purchase and sale slips" or "notices" relating to transactions referred to in my letter of the 6th, please advise how many you have, and what period and how many transactions they cover; and I will also thank you to give me specifically, as promptly as possible, the data asked for in regard to those purchase and sales slips or notices taken possession of by Mr. Hogan.

Respectfully,

(Signed)

JNO. SKELTON WILLIAMS,
Comptroller.

On September 9 I received this letter from Riggs National Bank:

THE RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
Washington, D. C., September 9, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: We are in receipt of your letter of September 9, 1919, further in the matter of the advices or papers referred to in your letter of September 6, 1919, to which we replied on receipt yesterday (the 8th instant) that Mr. Frank J. Hogan was out of town and would not be back until the latter part of this week or early next week, wherefore we had referred the matter to one of our general counsel, Mr. J. J. Darlington.

We are referring a copy of your letter of the 9th instant to Mr. Darlington in connection with your former letter on this subject, and hope to advise you in the matter as soon as Mr. Darlington has responded with respect to the letter already submitted to him.

Very truly, yours,

(Signed)

JOSHUA EVANS, Jr., *Cashier.*

We have been unable to get any information whatsoever as to the missing purchase and sales slips.

Senator HENDERSON. Mr. Williams, upon what do you base your belief that there are missing purchase and sales slips?

Mr. WILLIAMS. Because it is the custom and rule of brokerage houses to report all such purchases and sales and there is no reason to believe that custom was here deviated from. On the contrary, there is every reason to believe it was closely adhered to in this case. We found the record of purchase and sales of securities for the Riggs National Bank on the books of the brokerage firms for which the Riggs Bank paid them on presentation of the notice slips and purchase and sales slips. There were also numbers of items of that kind discovered, for which the examiners reported they had never been able to find the confirmatory slips and notices.

I call attention right here to the following statement by Assistant Attorney General Fitt, which appears in volume 15, stenographic report of the perjury suit, page 1736.

Trimble testified upon that stand that when he went into that bank he asked these three defendants for these papers, and that they said they did not have them, and had never had them. He testified that he went down one evening late into a secret place, a secluded place, in the cellar of that bank, and found, not an ordinary clerk, and not a man who would be packing away abandoned trash, sorting over these very papers there that he had asked for, and that he had upward of 700 of the one kind and upward of 600 of the other, and that that is how he got them, after these men had said they did not have them. Trimble further said that they said they did not have them because they had been put on spindles and thrown away, and he said they never had had spindle holes in them.

Mr. Chairman and gentlemen, I would like to report that after delivering the letter of the 6th to the Riggs National Bank on the afternoon of the 8th, between 3 and 4, the examiner, Mr. Trimble, returned to the office and reported that he had delivered it to Mr. W. J. Flather, upon getting there, but Mr. Flather was in the board room at a board meeting but came out of the room to receive the letter, telling the examiner he would have to refer it to counsel, he returned to the board room with the letter in his hand. I chanced to run across a director of the Riggs Bank on my way up here this morning and mentioned to him or told him that I had occasion to address a letter to the bank a few days ago and was wondering if it had been brought before the board, in view of the fact it had been delivered to the vice president while the board was in session and that officer had returned to the board room with it. This director said he knew nothing of such a letter. I do not know whether the vice president of the bank feels that it is a matter that should be handled by certain officers and not brought to the attention of the board at all, nor am I prepared to say that the letter may not have been brought to the attention of the other directors while this gentleman was temporarily absent, but as I know he was there during the entire meeting. I only happen to know that I ran across him accidentally this morning and asked him if they had seen the letter and he said he knew nothing of it. I think it worth while to mention this.

The CHAIRMAN. Did he say he was present?

Mr. WILLIAMS. He did.

The CHAIRMAN. I think, Mr. Williams, now the Senate is convening and it is necessary for some of us to go over there, we will have to stop in a minute and adjourn subject to the call of the chairman of the committee. Is that satisfactory?

Senator HENDERSON. Yes. Will you finish now with the exception of putting in your written statement as suggested by Senator Walsh and the chairman?

Mr. WILLIAMS. That is for you gentlemen to say. I am willing to be governed by our wishes and directions here.

Senator HENDERSON. We don't want to cut you off, Mr. Williams, at all in the presentation of your side of this matter. The suggestion came from Senator Walsh.

Mr. WILLIAMS. May I state that that statement introduced above with regard to Mr. Trimble was a part of the statement by the Assistant Attorney General. I would like to present at this meeting this letter from Mr. Trimble, national bank examiner, in answer to a statement made by Mr. Hogan, for the record.

The CHAIRMAN. The presentation of that letter we will have to ask you to insert.

Mr. WILLIAMS. Yes; this is simply an affidavit, from Examiner Trimble denying the correctness—

The CHAIRMAN. There will be no objection to your putting that in the record.

Mr. WILLIAMS. Of the statement alleged to have been made by discharged Examiner R. J. C. Dorsey.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, September 19, 1919.

DEAR MR. CHAIRMAN: The record shows that at the meeting of your committee on the 11th instant you said: "Mr. Williams, before you begin your statement, I would like to ask you if you could furnish the committee with a list of all the national banks that have gone into voluntary liquidation during your term of office and have reorganized under the State laws?" to which I replied: "Certainly."

I now beg leave to advise you that the list to which you referred has been compiled and shows that for the period you mentioned, from February 2, 1914, until September 15, 1919, the number of national banks which went into liquidation for the purpose of organizing as State banks or trust companies was 357, with aggregate capital of \$44,482,500. The number of State banks, private banks or trust companies which were converted into national banks was 417, with aggregate capital of \$46,799,500. There were, therefore, 60 more State banks converting into national banks than there were national banks converting into State banks and trust companies.

In addition to this the records show that the number of primary national bank organizations, exclusive of State banks, converting into national banks during the same period was 531, with aggregate capital of \$32,615,000.

Besides the 948 conversions of State banks and primary organizations there were in the same period 361 new charters granted to banks whose charters were expiring and decided to continue under national charters, thus making the total national charters issued for this period 1,309.

In my letter to you of August 26, 1919, I said (p. 23):

"In his same communication, under date of the 6th instant, Mr. Hogan distributed a copy of a letter which he says was addressed to the Comptroller of the Currency on July 10, 1916, by an official of a small State bank in North Dakota, in which that banker insinuates or charges that the Comptroller of the Currency is responsible for "the numerous conversions of national banks into State banks now taking place throughout the country, which must result in a further weakening of the Federal reserve system."

It may possibly interest you to know that the State bank referred to by Mr. Hogan was the Bank of Valley City, Valley City, N. Dak., and that under date of August 19, 1919, that very bank made application to me for permission to convert into a national bank. Apparently Mr. Early has changed his mind.

Mr. Hogan's letter, in which he disseminated that three-year-old letter of Mr. J. J. Early, president of the Bank of Valley City, was dated August 6, 1919.

Mr. Hogan's communication was given to me by one of the Senators on the mailing list from which Hogan was addressing reprints of maliciously untrue newspaper articles and letters in connection with the propaganda he has been conducting.

Under date of August 19, 1919, I received the following letter from the North Dakota banker referred to by Mr. Hogan:

BANK OF VALLEY CITY,
Valley City, N. Dak., August 19, 1919.

The COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: Our directors have passed a resolution to convert this bank into a national bank, the title to be "The Valley City National Bank." Please make reservation of this title and forward to us the necessary blanks so that we may make formal application.

Very truly,

JAS. J. EARLY, *President.*

If you desire the full list of the names of the 357 national banks which have converted into State banks, and of the 417 State banks which have converted into national banks, and other new national banks chartered, 531, I shall be pleased to send it to you for insertion in the record.

The record shows that the movement toward the nationalization of State banks and trust companies is proceeding at an accelerated speed. For the 10 months since January 1, 1919, there have been about seven times as many new charters granted for new national banks and applications for increase in the capital of existing banks approved as there were in the same period reductions of capital and liquidations (other than banks consolidating with other national banks).

Faithfully, yours,

JNO. SKELTON WILLIAMS.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

WASHINGTON, D. C., September 10, 1919.

HON. GEORGE P. McLEAN,
Chairman Banking and Currency Committee, United States Senate.

SIR: I have read the official stenographers' transcript of an affidavit laid before the Banking and Currency Committee of the United States Senate by Mr. Frank J. Hogan, on September 5, said affidavit having been executed on the day mentioned by Mr. Roscoe J. C. Dorsey, a former national bank examiner.

In connection with the statements contained in the affidavit referred to, I desire to make the following reply:

The only time that I can recall that I have mentioned to anyone connected with the Treasury Department my not having found it necessary to work on Sunday was that in a casual conversation in my office, when an examiner or assistant examiner mentioned the subject of Sunday work, I recall having said that I was thankful that since I had been an examiner it had been necessary for me, up to that time, to work on only one Sunday. I mentioned this instance as occurring during the Riggs equity case, when I was requested to come one Sunday to the office of Mr. Jesse C. Adkins of counsel for the honorable Secretary of the Treasury and the honorable Comptroller of the Currency in the Riggs equity case. In response I went to the office of Mr. Adkins in the Wilkins Building, on H Street, on the Sunday mentioned, where I did some work in going over reports and data connected with the Riggs equity case.

The comptroller never at any time used the language ascribed to him in Mr. Dorsey's affidavit, "We must get them; we must get something on them," to me, nor to anyone else, to my knowledge.

In answer to Mr. Dorsey's statement that in the fall of 1917 I was exceedingly wrought up against Comptroller Williams because, Mr. Dorsey says, the comptroller had directed me to make an apology to certain directors of a national bank for having in a critical manner referred to said directors, I wish to say that I was never required to apologize to the directors mentioned, but on the other hand the written record of the conference to which Mr. Dorsey apparently refers (which record was prepared at the time of the conference by the comptroller's office, without any knowledge upon my part until I examined it on yesterday), shows that the comptroller sustained me in every important particular in the positions I had taken during the examination of the bank referred to.

I distinctly remember that I left that conference room with no feeling of resentment toward anyone, but that I was happy that both the comptroller and deputy comptroller, Hon. T. P. Kane, approved my work in that examination, which had been a very difficult and trying one.

Respectfully,

JAS. TRIMBLE,
National Bank Examiner.

Subscribed and sworn to before me this 11th day of September, A. D. 1919.

[SEAL.]

J. F. DOUGLAS,
Notary Public, District of Columbia.

The CHAIRMAN. Do I understand you wish to be heard further verbally?

Mr. WILLIAMS. That is up to you gentlemen, sir.

The CHAIRMAN. The Senators with much greater experience than myself have all suggested that if possible, in full justice to yourself and the committee, that you do submit any further views on the matter in writing.

Mr. WILLIAMS. May we leave it this way, that this will be done unless there should be occasion for my requesting a special opportunity to appear orally?

The CHAIRMAN. Certainly.

Senator HENDERSON. I think that will be all right.

The CHAIRMAN. I think such a motion would be granted.

Mr. WILLIAMS. Can I get any idea as to when the hearings will definitely close?

The CHAIRMAN. It was hoped they would close this morning.

Mr. WILLIAMS. I meant to say as to whether any of the other witnesses are going to submit written statements or not?

The CHAIRMAN. I understood the chairman to state that he knew of no witnesses.

Mr. WILLIAMS. I thank you, gentlemen, very much for your patience.

(Adjourned at 11.55 a. m.)

WAYCROSS SAVINGS & TRUST CO.,
Waycross, Ga., August 26, 1919.

Hon. GEO. P. McLEAN,
*Chairman Committee on Banking and Currency,
United States Senate, Washington, D. C.*

MY DEAR SIR: Part 10 of the hearings before your committee on the nomination of John Skelton Williams to be Comptroller of the Currency has just been received by me, and in looking over this I find the several references to me and my banks by Mr. Williams are so very far from the truth that I am obliged to protest with the following statement, and I ask that this statement be made a part of your record in this hearing.

In the effort to show his qualifications Mr. Williams seems to take the position that it is necessary to break down the character of outside people. I have had no part in the hearings with reference to his nomination, yet Mr. Williams has seen fit to attack me in various and sundry instances, greatly straining the truth in order to accomplish his purposes. I presume he has been making these attacks on me as a brother of Wade H., thinking possibly it might discredit Wade H. as a main witness in the hearing. I admit that I have made some mistakes, which have been all of the head and not of the heart, and I am seeking to repair them as rapidly as possible; but, regardless of that, I see no occasion for Mr. Williams's attack on me, and certainly if he feels called upon to attack me it is as little as could be done for him to tell the truth. In his testimony Mr. Williams has proved himself a very adroit witness. He has told half truths borrowed from the garb of truth to do the work of falsehood in my own particular case.

On page 734 of part 10 of the hearing Mr. Williams refers to a partial list of banks, all of which he says are now defunct and which were promoted and officered by the Cooper clique. I take them in the order presented by him in his testimony.

Waycross Savings & Trust Co., L. J. Cooper, president; placed in the hands of receivers. This is falsification No. 1. In the first place, this company never did a banking business; it is purely a building and loan proposition, principally in loaning money on real estate. It has never been placed in the hands of receivers, is a going concern at this time, and does not owe a dollar to a single unsecured creditor.

Next he refers to the bank of Floral City, Floral City, Fla., as being closed. I once lived in Florida and had some little stock in this bank and was for a few months president of it, but I never did take any active interest in the bank whatever. This bank was liquidated five or six years after I resigned as its president, and so far as I know every dollar due its depositors and creditors was paid. However, I was not directly connected and am not in possession of the exact facts.

Next he refers to the State Bank of Waycross, which he says was closed. This was a small State institution that I allowed myself to be named as president. I took very little active part in the management of this institution, leaving it almost entirely to other hands. I soon found that no money could be made in the venture, and I promptly arranged for liquidation of the same, but before announcing liquidation I had every dollar on hand to pay the depositors and the creditors, and not a man, woman, or child, firm, or corporation lost a dollar as a creditor.

Next he refers to the Bank of Statenville, Statenville, Ga. This was a State institution organized by personal friends of mine who insisted that I should act as president. I allowed the use of my name, without giving a day's attention to the operation of the bank. It was largely managed by local people, and I seldom attended a meeting of the board of directors. Statenville is one of the smallest counties of the State, which is sparsely settled, and I soon found that with the little deposits to be had no money could be made for the stockholders. The local parties interested evidently thought the same way and they agreed that liquidation was the best thing to do. The money was gotten together to pay every depositor and creditor, after which notice of liquidation was posted, and as soon as the depositors could be paid the bank ceased to do business. In winding up its affairs the local stockholders thought that I should be made personally responsible for certain notes that had been put in the bank, either through my influence or through the influence of the cashier, who was not a local man, and on my failure to make good these obligations one of the disgruntled stockholders went before the grand jury and got an indictment against me, thinking that was a sure way of making me come across. Since that time I have had several conferences with these local members. They have seen the error of their way, and have made me a proposition looking to the final closing up of this matter in a way that I trust will not only be satisfactory to me but to all interested parties.

Next Mr. Williams refers to the Exchange Bank of Waycross. I had nothing in the world to do with the operation of this bank. Mr. N. P. Jenrette was president, and I am sure is in position to give Mr. Williams the information that he might desire as to the operation of this institution. I might say, however, that I happen to know that every depositor of the Exchange Bank was provided for before its liquidation.

Mr. Williams, in his adroit way, would lead you and your committee to believe that all the above-referred-to banks were closed involuntarily and that the depositors and creditors all suffered to the extent of their interest. Mr. Williams won't go far enough in his testimony and be honest enough with you gentlemen to state the actual facts with reference to these various matters.

Mr. Williams refers to a certain affidavit of Jenrettes, pages 223, 224, and 226 of the present hearing, wherein Jenrette charged that he made certain obligations and was used as a scapegoat to save the reputation of the Coopers. Since this affidavit has been withdrawn by Mr. Jenrette himself, I feel that no statement from me is necessary. I would state, however, that I know nothing of such an agreement made with Jenrette, or of any such notes being signed or assumed by him. And the very fact that he files no bill of particulars or specifies in a single instance ought to be evidence that no agreement of the kind ever existed.

Mr. Williams takes occasion to advise you that the information with reference to the banks in question was furnished him by National Bank Examiner Borden of the sixth Federal reserve district. I happen to know Mr. Borden very well, and I believe him to be an honest and truthful man, and while he might have furnished Mr. Williams this information, he must have furnished Mr. Williams a good deal more as to the actual facts that Mr. Williams has not seen fit to give to you.

As Comptroller of the Currency, Mr. Williams has kept his examiners very busy all over three or four States getting up such information and such misinformation as they could get together with a view of discrediting Wade H. Cooper before your committee. Personally, I have been subjected to some very severe indignities at the hands of some of these examiners. I refer particularly to one E. F. Higgins, the erstwhile chief national bank examiner of the sixth Federal reserve district. In November, 1918, this man Higgins, with an assistant, came to Waycross ostensibly on one of his periodical examinations of the bank. He worked in the bank through the day, returning at night supposedly to hurry the work along. The cashier was working in the front while Higgins and his assistant worked in the directors' room, next to which was my private office, in which was stored my own private and personal files.

The cashier having occasion to go back, found Higgins in the directors' room with his assistant in my private office; although I was no officer of the bank, he went into my private office at night, rifling every file I had. The cashier asked what was up, and was informed by Higgins that he was taking my files to Atlanta and that he, the cashier, was to keep "mum," and under no circumstances to inform me until I learned from other sources. The cashier, fearing trouble as well as reprisals from Higgins and the department, kept "mum" until approached by me some four months later. I never learned about this transaction until some copies of my personal letters were presented to the committee by Williams in the diabolical effort to discredit Wade H. Cooper. I wired Higgins, charged him with stealing my personal files as well as \$25,000 of real-estate trust notes that were missing, none of which have been returned to this day—telling him in this wire that he had acted the part of a sneak thief under the guise of a national-bank examiner, and unless he returned my property I would indict him for common larceny—to all of which I have had no response save a written denial that he took the notes, and threatening me for trying to intimidate him in the discharge of his official duties. Higgins soon resigned his position without ever returning to Waycross, and I am left without my letters or the \$25,000 notes.

The Mr. Borden referred to succeeded this man Higgins, and since his induction in office I think he has given the better part of his time running over three or four States in the effort to manufacture evidence against me or some of my brothers that would serve to discredit Wade H. in his charges against Mr. Williams.

In the testimony of Mr. Williams, some time back, he attacked me because of my refusing to be fleeced by some Chicago sharpers, so-called real-estate traders. Prosecution was started in this matter but was later dropped by these Chicago dealers, and since this hearing has been going on Mr. Williams has industriously furnished these people in Chicago copies of the hearings from time to time.

Mr. Williams makes a convenient vehicle out of his examiners for sending out his libelous charges. This man Higgins, above referred to, made the statement, and Mr. Williams had it printed and mailed broadcast, especially to individual depositors of the First National Bank of Waycross, to the effect that I had confessed that I had forged my wife's name to a certain note. His statement is a contemptible falsehood. Higgins knew it was a falsehood, and Williams no doubt knew it before he circulated it, but Mrs. Cooper better speaks for herself in a letter, the original of which is in the hands of Wade H. Cooper at this time, which reads as follows:

"I have been shown a memorandum dated February, 1919, concerning the hearing before the Banking and Currency Committee on the President's nomination of John Skelton Williams for a second term as Comptroller of the Currency, in which reference is made to a letter I wrote the president of the First National Bank of this city in May, 1918. My husband is not a witness in the hearings and I am unable to see what this letter has to do with that matter. I have never denied the genuineness of my signature to the note referred to in my letter of May, 1918. I was much perturbed when I received a

special delivery letter from the bank inquiring about that note, as I thought the overdraft which the note covered had been paid. My husband, Mr. L. J. Cooper, was away from home at the time, but upon his return I gained a full history of the transaction, and with my own funds my brother, at my direction, paid the note, and not my husband or any relative of his. I feel highly indignant that this matter should be dragged into a public hearing in Washington, in the attempt to reflect upon Wade H. Cooper, who had nothing to do with it in any way.

BLANCHE S. (Mrs. L. J.) COOPER."

Virtually this same statement was made by me to this man Higgins, yet it better suited the purpose of Mr. Williams to pervert the facts in the manner above referred to, and he has continued to mail out his periodical circulars containing false and slanderous statements of this same tenor.

Mr. Williams as comptroller has made numerous abortive attempts to indict me on frivolous and foolish charges. He has taken advantage of every subterfuge to manufacture grounds on which he can secure possible indictment that will work to discredit me and my brother, Wade H. Cooper.

I desire this protest filed not as participant in the hearings or as anywise connected with the charges against Mr. Williams as originally filed, but purely as a protest against his attempts to break down the character of myself and family in the insane effort to demonstrate his qualifications to hold the office of such magnitude.

Respectfully submitted.

L. J. COOPER.

TABOR SUPPLY Co. (INC.),
Tabor, N. C., September 2 1919.

CHAIRMAN BANKING AND CURRENCY COMMITTEE,
United States Senate, Washington, D. C.

DEAR SIR: In the hearing before your committee on the nomination of Mr. John Skelton Williams as Comptroller of the Currency my name has been repeatedly brought before you by Mr. Williams and in such a way as to leave me in an unenviable light. Mr. Williams has given your committee such information as will help him and has neglected to give the true facts.

I have never opposed Mr. Williams's confirmation, nor have I ever criticized him or his official acts, neither have I ever brought any charges against him on account of any connections he may have had with any railroads or banks, and I am not now opposing his confirmation or in any way criticizing for or accusing him of any misconduct in his public or private life, but I am protesting against his further use of my name in the future unless he can give the whole facts.

I respectfully request that this letter of protest be made a part of the record in the case.

Yours, very truly,

N. P. JENNETTE.

ATLANTA, GA., September 8, 1919.

Mr. L. J. COOPER,
Waycross, Ga.

DEAR SIR: Replying to your letter of the 1st instant, I beg to say that in the matter of the liquidation of the Bank of Statenville, Statenville, Ga., that permission was given by this department to the officers of said bank to liquidate and pay off its creditors about one year ago, and as far as this department has been informed this bank has discharged and paid off all its obligations.

As to the matter of the State Bank of Waycross, Waycross, Ga., our records show that this bank went into voluntary liquidation about March, 1916, and since that time this department has exercised no supervision over its affairs, for the reason that we were informed by its officers that its depositors and other creditors have been fully paid off. No complaints have been registered in this office to the contrary by the creditors of the two above-named banks.

As to the Waycross Savings & Trust Co., Waycross, Ga., this institution is not a bank under the laws of Georgia, and we have never had any supervision over it.

Yours, very truly,

W. J. SPEER,
State Bank Examiner.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, September 15, 1919.

HON. GEORGE P. McLEAN,
*Chairman Committee on Banking and Currency,
United States Senate.*

MY DEAR SENATOR McLEAN: My attention has been called to No. 6 of the printed hearings before your committee on the nomination of John Skelton Williams to be Comptroller of the Currency, held on Monday, July 21, 1919, and to the statement of Senator Gronna appearing on page 449 of the hearings.

I desire to inform you that on February 15, 1919, and again on July 15 last I introduced in the House of Representatives a resolution calling for an investigation of John Skelton Williams by a special committee of the House. This committee, to be appointed by the Speaker, would be authorized to investigate the conduct of John Skelton Williams, not only his official acts as Comptroller of the Currency but his entire conduct as an official of the Government.

At the request of the chairman of the Rules Committee of the House of Representatives, I appeared before that body to explain the purpose and necessity of this resolution on Saturday, July 19.

Pursuant to the request of that committee, I submitted to it information that had come into my possession from a trustworthy source indicating that John Skelton Williams was involved in and had aided in the purchase by the Government of the Arlington Hotel site. I stated that the information was in my possession and could be substantiated; that Mr. Lewis B. Williams, a brother-in-law of John Skelton Williams, negotiated the sale of this property to the Government; that Lewis B. Williams, of the firm of Williams & Mullins, Richmond, Va., brother-in-law of John Skelton Williams, received a fee of \$25,500, and that John Skelton Williams had a partnership interest in this fee.

While the Rules Committee of the House had my resolution under consideration, and before it had acted thereon, John Skelton Williams appeared before your committee and made the statement referred to as it appears in the hearings, and in intemperate and vituperative language demanded that I, a Member of the House of Representatives, appear before your committee and there present my charges relating to his misconduct and submit the proof thereof.

After introducing this resolution in the House, after appearing in support of this resolution before the Rules Committee of the House, and while it was still under consideration by that committee, presentation of the same charges and of the evidence in support thereof to a committee of the Senate would, I respectfully submit, have involved at least a discourtesy to a standing committee of the body of which I have the honor to be a member.

I have the highest respect for your committee, and I regret that momentarily there should have escaped the attention of its members the fact (1) that the Rules Committee of the House was considering an investigation into John Skelton Williams's official conduct, pursuant to my resolution; and (2) that the charges to which Senator Gronna and the comptroller referred were made not "in the public prints," but before the Rules Committee of the House. I respectfully submit that in the light of these facts no criticism properly can attach to my unwillingness to transfer from the Rules Committee of the House to the Committee on Banking and Currency of the Senate the charges which the former committee had under consideration.

When the Rules Committee of the House shall act favorably upon my resolution I will be ready to substantiate every charge I have submitted for its consideration.

Permit me further to bring to your attention the fact that I have stated to the Rules Committee and on the floor of the House that if in its judgment I should, prior to disposition by the House of my resolution and while the Rules Committee is still considering the matter submitted to it, transfer from the committee of the House to your committee my charges against the comptroller. I was prepared to do so. Neither the committee nor the House has authorized or suggested such action. In the absence of such authority I have not been and am not now at liberty to submit my charges to another jurisdiction.

I respectfully request that this communication be made a part of the record of your committee, both that its members, whose respect I value, may understand the circumstances which have restricted my action, and that the unwarranted aspersions of John Skelton Williams may not there appear unanswered.

Very truly, yours,

L. T. McFADDEN.

WAYCROSS SAVINGS & TRUST CO.,
Waycross, Ga., September 20, 1919.

HON. GEO. P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate, Washington, D. C.*

DEAR SIR: Part II of the hearings before your committee on the nomination of John Skelton Williams to be Comptroller of the Currency has just come into my hands. I note on page 786 a letter addressed to you under date of August 8, signed "John Skelton Williams, Comptroller," in which he says or undertakes to convey the impression that the Waycross Savings & Trust Co. is a banking corporation, that it is notoriously insolvent, and that it is closed and application made for receiver, etc.

Mr. Williams has made the statement before that this company was in the hands of a receiver. Now he undertakes to amend for one falsehood by making it several and this last one above referred to was manufactured by his "sweet scented" examiner to suit the purposes of the hour.

To refute this last diabolical falsehood I have had the clerk of the superior court of this county issue a certificate under his official seal certifying to the fact that no receivership proceedings were on the trial docket whatever and this certificate has been sent to you with the request that it be made a part of the record.

The Waycross Savings & Trust Co. has never done a banking business; it has no banking charter; it is not insolvent; it has never been closed, and there is no application for receiver pending. Mr. Williams very correctly says, truth may not overtake a lie but may outlive it. I therefore ask that this letter be printed in the record along with the clerk's certificate before referred to.

Respectfully submitted.

L. J. COOPER.

GEORGIA, Ware County, ss:

I, J. D. Mitchell, clerk of the Superior Court of Ware County, do hereby certify that there are no proceedings on the trial docket of this court to place the Waycross Savings & Trust Co. in the hands of a receiver.

I further certify that the above-mentioned court is the only one in this county having jurisdiction in such proceedings.

Given under my hand and seal of office this 19th day of September, 1919.

[SEAL.]

J. D. MITCHELL,
Clerk Superior Court, Ware County.

UNITED STATES SAVINGS BANK,
Washington, D. C., September 22, 1919.

HON. GEO. P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

DEAR SIR: I do not desire to tax you or the committee by making further denial of the various false statements reflecting upon me, made by John Skelton Williams, but I do desire to impress upon you and the committee the fact that each and every statement he has made reflecting upon me in any way was and is absolutely and infamously false, as shown by the record of the February hearings. He has never in his life referred to any of the matters about which he now criticises me until after I had opposed his confirmation. The February hearings show that the paper he read reflecting upon me, was practically a tissue of wicked, wilful falsehoods, manufactured by him and Examiner Trimble, for this special occasion. All these matters were gone into at great length in the February hearings and shown to be a tissue of wilful and malicious falsehoods.

The February hearings show that the 15 charges I made at that time against Comptroller Williams at pages 11 and 12 of the February hearings were all conclusively proven, except the third and tenth, which have been proven conclusively now by the testimony of Mr. John Poole and Mr. Frank J. Hogan. In a few instances, I have excused unwilling witnesses, as to certain facts, but in each and every case the charges of misconduct have been fully sustained, including the charge in regard to the Georgia & Florida Railroad.

Comptroller Williams talked loudly about net operating income and net operating deficit but he did not explain that such income or deficit did not con-

template the payment of a single dollar on the fixed obligations of the railroad. This is his usual manner of deception and falsification.

I hope you and the committee will remember that Comptroller Williams made no denial of the charges filed against him in the February hearings, but sought to escape responsibility by reading his tissue of falsehood and slander, which he later scattered all over the country, especially wherever we had a bank, in the attempt to hurt the bank and me. If the things he says are true, he should be driven from office for not mentioning them until after I had opposed his confirmation.

Not one of my brothers opposed him, but he has sought to escape by villifying and slandering my brother, Mr. L. J. Cooper, of Waycross, Ga., in every way he could. Mr. L. J. Cooper has submitted to you a statement, corroborated by a written statement of Hon. W. J. Speer, treasury of the State of Georgia, showing the statements of Comptroller Williams to be outrageously false. No creditor or depositor ever lost a single dollar in any financial institution in which Mr. L. J. Cooper was interested, and none of them "closed," as Comptroller Williams would have you believe. There were two or three voluntary liquidations of small banks that were unprofitable, but not a dollar was lost to a depositor or creditor.

Mr. L. J. Cooper has made a few business mistakes, but he has never had a "creditors' committee appointed" or declared a "moratorium" as John Skelton Williams confessed he had done. Mr. L. J. Cooper, like an honest man, is seeking to repair and correct his mistakes, and not seeking to avoid them by misrepresentation and slander, as John Skelton Williams has done.

Comptroller Williams made the statement that the United States Savings Bank had charged as much as 31 per cent. Upon investigation I find that a Government employee obtained a loan of \$25, payable in five monthly installments, which cost him \$1.62, or about \$0.32 per month. The Comptroller agrees that a minimum charge of \$0.50 per month is reasonable, but in this case we collected only about one-half of what he agrees is reasonable. This is another illustration of his manner of deception and falsification, as mentioned by Senator Weeks in his testimony last February. There may have been one or two similar cases or cases where we charged for drawing papers as in loans on automobiles.

The February hearings also show that his insinuation that I opposed him because of his criticism of any of my loans or the loans of my brothers, is also an absolute and unqualified falsehood. The record shows that he has never criticized one of my loans in his life.

I will not tire you further, but I firmly believe that Mr. Hogan's statement that 99 per cent of the testimony of Comptroller Williams is false.

As a memorandum for your committee, I respectfully request that this letter be made a part of the printed hearings, and also the letters of Mr. L. J. Cooper and the Hon. W. J. Speer, of Atlanta, Ga., and the inclosed certificate from the Hon. J. D. Mitchell, clerk of the superior court of Ware County, Ga.

Yours, truly,

WADE H. COOPER, *President.*

APPENDIX.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, September 24, 1919.

HON. GEORGE P. McLEAN,
*Chairman Banking and Currency Committee,
United States Senate.*

DEAR SIR: I have not thought it worth while to bring before your honorable committee or to take up space in this record for publication of the hundreds of commendatory letters, telegrams, and editorials which I have received from various sections of the country in regard to my administration of the office which I have the honor to hold, but as Mr. Hogan, in his statement before the committee on September 5, enlarged, as he did, upon what he assumes to describe as the "ominous silence" of the bankers of the country on the question of my confirmation, I shall take the liberty of introducing a few examples of the many commendatory communications which have come to me, and I will also take occasion to add that, aside from a few anonymous letters, I do not recall that I have received in the past five years as many as half a dozen letters condemnatory of my administration of this office.

Under date of June 24, 1919, I had the honor to receive from Hon. Ira C. Copley, Member of the present House of Representatives, and a Republican, the following letter:

HOUSE OF REPRESENTATIVES,
Washington, D. C., June 24, 1919.

MR. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

DEAR MR. COMPTROLLER: I have your favor of June 20, together with its inclosure, and beg to thank you very much for the information.

It is my own opinion, based on my own observation, that the comptroller's office is better run, on the whole, than it has been in the entire 30 years during which I have been engaged in business.

I have business relations with almost 100 different banks. My business frequently has a great deal of money on deposit and we frequently borrow a great deal of money. It is to the interest of every sound business man that the bank with which he deals should be run right up to the handle.

I am frank to say to you that I have heard many complaints about you as Comptroller of the Currency, and I have never missed such an opportunity to express myself as believing the national banks generally are in better condition to-day than they have ever been in the history of banks in this country.

I had a discussion one evening a few months ago with a well-known citizen of the State of Minnesota, who was criticizing you and your methods. I repeated my "canned" formula. He told me that any bank could get along in times such as we were enjoying at that moment. The next morning I opened a Chicago Tribune and saw that the day before 13 State banks in Minnesota had closed. I cut out the article and sent it to him, suggesting that it might be a good thing for the Minnesota State bank examiners to follow the disagreeable methods of the Comptroller of the Currency of the United States.

I want to see the banks of this country absolutely sound. I hope to have some money deposited in some of them some time in the future. I am very sure I shall frequently want to borrow money from them, and I want to be able to enjoy both functions of the banking system with perfect equanimity and a feeling of absolute security.

Very truly, yours,

I. C. COPLEY.

In reply to a note from me asking whether I might make use of his letter if I should desire, Representatives Copley said:

You are at liberty to use my letter in any way you see fit. I did not send it in confidence. My opinion of the comptroller's office is not confidential. I think the banks are in marvelous shape.

Under date of May 1, 1919, I had the honor to receive from another Member of the House of Representatives, also a Republican, a letter commenting upon a press statement given out by this office with reference to the condition of national banks, in which he said:

The facts you present are remarkable and bespeak of general prosperity throughout the country, also of the strength of our currency and banking system and the splendid executive ability of those in charge.

As a Republican and member of the opposite party, I wish to congratulate you upon the splendid showing you make.

I also introduce the following copy of resolutions, unanimously adopted July 17, 1919, by the board of directors of the chamber of commerce of my home city, Richmond, Va.:

RESOLUTIONS PASSED BY THE BOARD OF DIRECTORS OF THE RICHMOND CHAMBER OF COMMERCE, JULY 17, 1919.

It appearing from the public press that an assault is being made upon Mr. John Skelton Williams and his administration of the high office of Comptroller of the Currency, which he has occupied with such distinction for several years past:

Resolved, That the Chamber of Commerce of the City of Richmond, of which city he has been a life-long resident, desires to put on record its perfect belief in the exalted integrity and high character of Mr. Williams and its admiration for the faithfulness, splendid efficiency, and entire impartiality with which he has administered his responsible office. And we tender our congratulations to this distinguished Virginian, that no complaint of his performance of public duties has come from any sources except from those, who seeking evasion of the law, are inspired by motives of revenge.

Teste.

[SEAL.]

F. D. DUNLOP, *Secretary*.

From the mayor of my home city I received the following letter:

OFFICE OF THE MAYOR,
City of Richmond, Va., February 25, 1919.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

DEAR MR. WILLIAMS: Accept my congratulations upon the report of the committee favorable to your confirmation. It was just what I expected and wished. The whole country should be gratified.

Very truly, yours,

GEORGE AINSLIE.

From R. Goodwin Rhett, former president of the Chamber of Commerce of the United States, also president of the Peoples' National Bank, of Charleston, S. C., I received under date of April 24, 1919, a letter in which he said:

I think few will question that the national banks have been very materially strengthened during your administration. Many undoubtedly have chafed under

the additional work imposed upon them in working out plans of analysis which shall reveal the weaknesses, and those who have suffered through such revelation naturally are sore. Some of this is coming to the surface, but your service to the national banking system and to the country in making it a safer and saner depository can never be blotted out.

From J. A. Griffin, president of the Florida Bankers' Association, I received a copy of letter addressed by him under date of March 1, 1919, to a United States Senator, in which he said:

It is with regret that I note an organized fight is being made in the Senate against the confirmation of Mr. John Skelton Williams's reappointment as Comptroller of the Currency.

While I do not doubt but that you will zealously support him, I write to say that it is my sober and earnest conviction that Mr. Williams has made a splendid comptroller. He has energetically, capably, and fearlessly discharged the duties of his office. In many ways he has required the national banks of the country to more closely observe both the spirit and the letter of the law, thereby raising the standard of banking ethics, promoted better banking, and benefiting the depositing and commercial public which they serve.

Under date of March 8, 1919, a director in the Federal Reserve Bank of Cleveland wrote me as follows:

I have just read a copy of your communication to Congressman McFadden.

For a direct, dignified, overwhelming reply to his unwarranted charges your letter is unanswerable. You have the satisfaction of knowing that you have been the means of clearing up more banking practices that should never have been tolerated than all your predecessors combined, and I feel confident that when the facts are thoroughly understood by the Senate your confirmation will be certain.

Mr. Charles A. Lyerly, member of the Federal advisory council of the Federal Reserve Bank of Atlanta and president of the First National Bank, of Chattanooga, wrote me under date of June 6 as follows:

As stated to Senator McKellar, I feel very much interested in your confirmation; and if there is anything further that I can do, I hope you will command me. I would not be adverse to going before the Senate committee if I can do any good. Please understand this, and you have my permission to have me summoned if you so desire.

In a statement which Hon. Edward C. Stokes, former governor of New Jersey, chairman of the Republican State Committee and president of the Mechanics' National Bank of Trenton, voluntarily gave to the press, and which was published in the morning papers of June 30, 1919, the governor said:

The strength and security of the national banking system has demonstrated itself during the war, and is of vital importance to the depositor and stockholder who intrust their money to its care. Much of the strength and safety of the system is due to proper governmental supervision.

I started as a clerk when a boy in a bank in 1883, and I know of no comptroller who, I think, has been more efficient than Mr. Williams. His administration of the law has been painstaking and sane, with judicial consideration of extenuating circumstances, and practical difficulties in each specific case.

He has brought to the directors a better knowledge of the national banking law, and a better knowledge of the detailed conditions of the banks under their supervision, and stopped some of the careless ethical practices that grow up in the course of time in the hurry of business affairs. His work in this respect has added to the security and strength of the system, and should meet with the approval of every fair-minded banker.

My experience with Mr. Williams is that he has asked only what every honest banker ought to be glad and willing to do, both for the sake of his institution, and as an example of law observance in his community. It would be a great misfortune to the country if a man of Mr. Williams's character and experience should be forced to retire because, in the proper performance of his duty, he has aroused criticism and enmity.

The bank commissioner of Vermont, Hon. F. C. Williams, in a letter which I had the honor to receive from him under date of May 17, 1918, said:

I certainly think that you and your friends should all be gratified at the vindication of your course relative to the Riggs National Bank as indicated by this statement. It is very evident that you have compelled the respect of the bankers of the country in the attitude you have taken in the many very perplexing situations which have confronted you since your appointment as comptroller.

Mr. Herbert Fleishhacker, formerly member of the Federal advisory council of the Federal reserve bank of San Francisco, who is also president of one of, if not the largest bank in San Francisco—the Anglo & London-Paris National Bank, with resources of about \$100,000,000—wrote me under date of February 28, as follows:

I have just read with great pleasure the announcement that the Senate Finance Committee has recommended your reappointment as comptroller, and take this opportunity of congratulating you, and at the same time I think the national banks are to be highly congratulated upon having a man of your splendid integrity and ability at the head of this important department. Under your able supervision the banks of the country have shown a remarkable growth and are to-day in sounder condition than ever before in their history, and your foresight as well as careful and constructive judgment has been one of the large factors in bringing about this condition.

The same writer also said, in his letter to me of August 29, 1919:

I believe your administration has been highly efficient and fair, and have no hesitation in saying so. I was always glad of the opportunity which my three years' service on the Federal advisory council gave me of coming in close touch with yourself, during which time I found you not only fair but broad in all of your viewpoints, and it is a source of gratification to me to be able to testify to your integrity and ability.

I have been furnished with a copy of the following telegram, sent without my knowledge under date of July 2, 1919, to a United States Senator, signed by the presidents of six leading banks and trust companies of St. Louis, Mo., including two former presidents of the American Bankers' Association:

We strongly recommend John Skelton Williams for confirmation as comptroller and do hope you will vote for him.

WALKER HILL,

President Mechanics-American National Bank.

EDWARD B. PRYOR,

President State National Bank.

F. O. WATTS,

President Third National Bank.

JOHN G. LONSDALE,

President National Bank of Commerce.

N. A. McMILLAN,

President St. Louis Union National Bank.

BRECKENRIDGE JONES.

Messrs. Hill and Watts, whose names are signed above, are both former presidents of the American Bankers' Association. Mr. Hill is a director of the Federal reserve bank of St. Louis and Mr. Watts is the member of the Federal advisory council for the St. Louis district. A specially strong letter from Festus J. Wade, president of the Mercantile Trust Co. of St. Louis, is printed on page 385 of these hearings.

Mr. Logan C. Murray, a New York banker, and for two terms president of the American Bankers' Association, under date of July 18, 1919, sent me the following:

I see by the daily papers that the Senate Committee of Banking is holding hearings in the matter of your confirmation by the Senate.

I have been a bank officer for over 40 years, and during that time I have been quite familiar with all the Comptrollers of the Currency, and I want to say that my experience with the banks throughout the country generally, by reason of the fact that I was for two terms president of the American Bankers' Association and quite familiar with the banks of the country, and I have this to say, that no Comptroller of the Currency, in my opinion, based on this knowledge, has ever had so successful a management of the great system as you have put into operation, and the result of the few failures throughout the country of banks, as compared to what it was 20 or 30 years ago, is a most marvelous record.

I am satisfied that it has been accomplished by reason of your watchfulness and obedience to the laws of the national banks throughout the whole country.

I am speaking from the knowledge as indicated above, and I must say that I can not imagine the Senate not promptly confirming your nomination for a continuance of your, what I consider, most successful management of the banks of the country. I confidently hope that it may be that your great service may be recognized in this confirmation.

Mr. J. A. McCord, governor of the Federal Reserve Bank of Atlanta, under date of May 20, 1919, wrote:

Our observation and our review of the statements furnished to us by national banks show a more healthy condition than at any time in the past. We believe that there is a general tendency to see that all national banks are put upon a sound and safe basis, and that good banking principles are being adopted; and this is having its reflex influence upon the State institutions, who are turning in the same direction.

Hon. F. W. Cathro, director general of the Bank of North Dakota, under date of May 12, 1919, wrote me:

I want to avail myself of the first opportunity I have had since my appointment in connection with this new bank to offer my congratulations on your reappointment as Comptroller of the Currency, and sincerely hope that your appointment may be confirmed.

I realize the important work you have done for the country in connection with national banks, and am hoping that cordial relations may be established between your office and this new State-owned bank.

Mr. J. W. Stoll, describing himself as now and always a staunch Republican, former president of the Kentucky Bankers' Association and president of the leading national bank of Lexington, Ky., has furnished me with the following copy of a letter addressed by him to United States Senator Penrose, under date of June 25, 1919:

HON. BOIES PENROSE,

United States Senate, Washington, D. C.

DEAR SIR: I understand that the question of the confirmation of Mr. John Skelton Williams as Comptroller of the Currency will come before the Senate Committee on Banking and Currency in the next few days.

In justice to a man of ability, and one who has filled a very difficult governmental position in a highly satisfactory way, I am taking the liberty of writing you and requesting that you give Mr. Williams your support. For nearly 40 years I have been an employee of this institution. I have watched the course of the various comptrollers who have occupied that position with great interest, and I unhesitatingly say that no man in all those years has filled the position with greater success.

Your attention is called to the fact that during the trying year of 1918 only one national bank in the whole United States failed, and that a comparatively small one in California. This condition is unquestionably due to a very great extent to the splendid administration of the office of comptroller by Mr. Williams, and I believe entitles Mr. Williams to reappointment and confirmation.

I recognize the fact that Mr. Williams has been exacting of the national banks in his management of the comptroller's office, but no more so than he should have been. I am thoroughly convinced that his insistence that the banks comply with the letter and spirit of the law has been the means of keeping the national banks in the splendid condition in which we now find them, and this after going through four or five years of most trying times.

As to my own bank, Mr. Williams has never required of us anything which was in the least unreasonable and which was not for the good of our institution. He has not hesitated to criticize us whenever any matter came up which did not meet with his approval, and in every instance his position has been the correct one. He has shown an amount of knowledge of the condition of the books which I have never observed in any other comptroller, which clearly indicates that he does not trust the affairs of his office to subordinates, but is himself in close touch with the situation in every part of our country.

All of these things I feel, Senator Penrose, entitle Mr. Williams to confirmation, and I sincerely hope that you will support him. I admit that there has been much criticism of his management of the office, but I have yet to learn where Mr. Williams's position was not the correct one. No instance of conflict between the comptroller's office and any bank has come under my observation where Mr. Williams's position was not absolutely correct.

My interest in the matter is entirely confined to my desire to see a faithful public servant continued in office. Politically, I am entirely opposed to Mr. Williams. I am now and always have been a staunch Republican. A member of my family is the chairman of the Republican county committee and at this very time I am myself being urged by many leading Republicans to become their candidate for State senator at the next election. I mention these facts to show you that I have no political interest in Mr. Williams's confirmation.

Very truly, yours,

J. W. STOLL, *President.*

Under date of May 19, 1919, I had the honor of receiving from Hon. Simon Bamberger, governor of Utah, the following letter:

I am deeply grateful to you for the information contained in your letter of May 7 and the circular accompanying it concerning the growth of the national banking system. The condition reflected in the data supplied is a little short of remarkable, and I take this opportunity of conveying to you my heartiest congratulations upon the wonderful showing.

Under date of February 26, Hon. W. A. MacCorkle, former governor of West Virginia, and now president of a national bank in Charleston, W. Va., telegraphed me as follows:

Can I be of any help to you with anyone? If so, let me know by wire. I would regard it as a great backward step in the banking system of the United States if you are not confirmed.

Your administration has been vigorous, earnest, and in the line of conservative banking and I am sure that every banker who wants a faithful administration and the trying out of new laws indorses the above statement.

Would be glad to be of any possible service to you, because I believe it would be of service to the country. I wire this both as a president of a national bank and as a citizen.

W. A. MACCORKLE.

Hon. Francis H. Weston, United States district attorney in South Carolina, who also had much experience as bank president and counsel for banks, wrote me under date of July 22, 1919, as follows:

I am shocked and outraged at the attacks made on you by Mr. McFadden and one or two others. I wish there was something I could do besides writing and expressing my entire confidence in your integrity. I have known in the course of my life many men, but I have never known of a cleaner man than you. In the course of your life it can be said without the least compromise with truth that you have lived up to the highest standard, and made, as I know, terrible sacrifices for your convictions. As a practical banker I know that the regulations promulgated by you have been in the interest of safety to the depositors and the stockholders. Your protection of those who borrow money from usury has no doubt offended many bankers who were taking advantage of unfortunate borrowers and defying the law.

Under date of March 26, 1919, Mr. John W. Boehne, Evansville, Ind., a director of the Federal Reserve Bank of St. Louis, wrote me as follows:

I am with you in your crusade against the crooked bankers of this country, and I hope you will win out in this case, as I know you will.

If the United States Senate will stand for sound banking and do the will of the depositors of this country, they will promptly confirm your appointment.

Under date of February 21, 1919, I received from a member of the Boston (Mass.) bar a letter in which the writer said:

May I express heartiest indorsement your administration, Comptroller of Currency, particularly fair, courageous, and efficient manner in which you have handled financial aspects, Boston & Maine problem. Shall be very glad to be of any possible assistance in support confirmation, reappointment, either before committee now holding hearings or otherwise as may be agreeable to you.

Mr. F. W. Foote, director of the Federal Reserve Bank of Atlanta and vice president of the First National Bank of Hattiesburg, Miss., in a letter to this office under date of June 24, 1919, said:

You have been of great assistance to the national banks. The fearless, practical course you have pursued in advising the American public of facts concerning banking conditions has contributed immensely to increased public respect for national banks. As a result thereof the national banks possess greater influence and efficiency, and that being true, the Federal Reserve System, one of the principal limbs of the Nation, increased correspondingly in strength and usefulness. The State banks have raved, little appreciating that the natural functions of your office demand that its efforts be put forth in this regard in a frank manner. State banks by the nature of relations are opposed to national banks, and it even extends in a degree to the reserve system. The fact that your efforts are outstandingly prominent has been the cause naturally of a great deal of discussion, on the principle that one howls when hit. But it has done a lot of good. The discussion occasioned debate throughout the country to much educational advantage, the facts necessarily drifting the neutral mind to the logical conclusion. And the inflamed individual even recognizes down in his heart that you are justified in giving the public full advices regarding banking.

I think your propaganda in the interest of national banks, and indirectly in the interest of the Federal reserve system and the entire public, has made a strong contribution to the public welfare and has materially increased the strength of national banks and the Federal reserve system.

Harrison Nesbit, president of the Bank of Pittsburgh, N. A., one of the largest and most successful banks in Pennsylvania, sent me a copy of the following letter addressed by him to a United States Senator:

JULY 22, 1919.

MY DEAR SENATOR: Without the knowledge or request of Comptroller Williams, and merely with a view to placing before you the experience of our institution as well as our opinion of the comptroller's administration, I take the liberty of submitting the following, to wit:

As you are aware, the Bank of Pittsburgh, N. A., is one of the largest national banks in Pittsburgh, which gives us an opportunity to fairly well judge the efficiency of the comptroller's office. Our entire experience gives us nothing but a favorable opinion as to the financial judgment of Comptroller Williams and of the efficiency of his office. We believe he has been one of the most capable comptrollers and has courageously fulfilled the duties of his office by requiring strict compliance with all the provisions of the national banking laws. We do not believe that he imposes any conditions which a bank should not readily meet. Our idea is that Comptroller Williams has improved and developed bank examinations and other important features of his office to a point of greater efficiency.

Knowing that you desire full expression from those living in your district, I take pleasure in recording my views upon this subject while the matter of confirmation is still under consideration. I sincerely hope that you may see your

way clear to vote for the confirmation of Comptroller Williams, as I believe that his judgment and capabilities as well as his efficient administration of the office fully entitle him to confirmation.

With kindest personal regards and best wishes, believe me to be,

Yours, very truly,

HARRISON NESBIT, *President.*

President Brown, of the Citizens' National Bank of Raleigh, N. C., on June 19, 1919, said:

I have watched this growth with a great deal of interest, and more gratifying than the increase in the number of banks is the apparently very much better condition of those that have been already operating. I am sure that in the rest of the country the same conditions prevail that exist in North Carolina, and here, undoubtedly, the national banks were never in such excellent condition.

I am fully aware that often the banks have criticised the comptroller for some of his requirements that seemed useless to them, but I am equally sure that all agree that under your administration the system has been very much improved.

The president of a national bank in New York City, with assets of over \$50,000,000, wrote me under date of September 11, 1919, as follows:

I have read with a great deal of interest your letter to the Banking and Currency Committee of the United States Senate, and have, in fact, followed along with much interest the unjust and malicious endeavors of your enemies to malign you.

Personally, I do not believe the matter is taken seriously, for all reputable bankers in the United States know your honesty, endeavors of purpose, and the extraordinary results you have created under the national banking laws of this age.

I believe 99 per cent of the bankers in the United States would be pleased to express this in writing in the same fashion that I have.

I trust that your annoyance in this direction may soon be a thing of the past, and if there is any fashion in which I can serve you, you have only to command me.

The chairman of the National Bank of Commerce, Kansas City, Mo., Mr. W. T. Kemper, furnished me with the following copy of a telegram, which he courteously and without my knowledge or request sent, under date of July 9, 1919, to a United States Senator:

I feel very sure I am expressing the views of a very large majority of the national bankers of Missouri when I urge you to support the confirmation of John Skelton Williams as Comptroller of Currency. We have never had a more conscientious, painstaking, fearless, fair comptroller than John Skelton Williams. Many bankers who formerly opposed Williams now realize his true worth and are anxious for his confirmation.

W. T. KEMPER,

Chairman National Bank of Commerce.

Under date of February 26, 1919, I received from the cashier of the First National Bank of Madison, Ill., the following letter:

As an official of a small link in the great chain of national banks of this country, I wish to express to you my gratification at the action of the Senate committee in reporting favorably on your renomination to your present office. I do not see how any sensible man who has at heart the interest of the country's banking institutions could oppose your renomination when your administration of the comptroller's office has been so highly efficient, so strictly following the letter of the law, and so just.

Allow me to say to you that the relations of this bank with your office have been exceedingly pleasant. Your requirements of us have never been arbitrary. On the contrary, they have been reasonable, and your attitude has at all times been helpful. Under your administration national banks have been placed on a higher plane of safety than ever before, and the record of one failure last year is one to excite the admiration of anyone who has the welfare

of the people of this country at heart. You have rightly held that national banks should be conducted in the interest of the shareholders and of the people at large. You have insisted upon a strict observance of the law, both in letter and spirit. No sensible man would ask more, and no honest man could ask less.

President Fishburn, of the Merchants' National Bank, of Los Angeles, Calif., on May 22 wrote:

The country is to be congratulated upon the soundness of its national banks. due in part, I think, to the Federal reserve system, and as much, perhaps, to the close supervision of the comptroller's office under your management. I have noted with some interest the complaints and criticisms of your rigid supervision, but if the bank operations conform to the requirements of the law there is nothing to fear from such supervision, and the so-called annoying details in statements and reports required are more than offset by immunity from failure. Rigid supervision is certainly preferable to carelessness or indifference in the comptroller's office.

The president of the Carolina National Bank, of Columbia, S. C., under date of February 21, 1919, wrote me as follows:

We notice that some fight is being made against you before the Senate Committee on Banking. I therefore take the liberty of addressing Senator Owens, chairman of the committee, the following telegram:

"We regret to see that some fight is being made against the Hon. J. Skelton Williams, Comptroller of the Currency. I have known Mr. Williams in business affairs for more than a quarter of a century and am intimately acquainted with his administration of the office of Comptroller of the Currency and appreciate the good work that he has done in that capacity. I therefore desire to place before your committee as a matter of information the hearty indorsement of this bank of his administration as Comptroller of the Currency and fear that any interference with his administration will prove an injury to banking institutions of our country. Any consideration which you may give to these views will be highly appreciated by this bank.

"W. A. CLARK,
President, the Carolina National Bank."

I therefore trust that the testimony of this bank will be of some service to you.

Cashier Hunter, of the National Valley Bank of Staunton, Va., on June 16, 1919, in a letter said:

We have received and read with interest the transcript of the hearings before the Banking and Currency Committee of the Senate which you sent us, and while we recognize that this institution is but a small cog in the tremendous machine over which you preside, yet it has occurred to us that it might not be improper, in view of the various and conflicting newspaper reports and alleged expressions of opinion from certain bankers, if we were to take the liberty of conveying to your office the hope that we might not be considered as in any sense subscribing to, or being in sympathy with, any of these unjust criticisms.

Since 1865 our institution has been fortunate in being officered and directed by men whose interests in this bank were foremost in all of their commercial endeavors, and for this reason, plus the writer's practical experience as a Virginia State bank examiner from 1910 to 1913, intensifies our abhorrence of such practices as are ventilated in the transcript which you sent us. Our surprise is not that you have assailed such methods, but that you have not used more drastic means to drive such influences out of the national-banking field.

The president of a successful national bank in the interior of Pennsylvania on May 1, 1919, wrote as follows:

Your letter to Representative McFadden should cause him to crawl into as small a hole as is possible and then pull the hole after him. No wonder such fellows want the office of comptroller abolished. The present incum-

bents are entirely too vigilant in the interests of national banks and their stockholders for their comfort.

Sift out the comparatively few who seem to be opposed to your strict and unbiased legislation in office, and in every instance they will prove themselves to be deliberate Democratic administration faultfinders or the class in which McFadden circulates. Your letter to McFadden deserves to be read not only by every president of national bank but by the cashiers, assistant cashiers, and boards of directors as well. The latter depend entirely too much upon the officers of a bank in the conduct of its business methods. Especially is this the case in country districts.

It is my opinion that too much leniency is shown to officers and directors of national banks who disregard and continue to violate instructions from the department. History proves that in nearly every case these are the banks which sooner or later become insolvent, due to unlawful advantages exercised for personal advantages.

The chairman of the board of the largest national bank in the entire South, the Merchants-Mechanics First National Bank, Baltimore, Md., has courteously furnished me with a copy of a letter which, without my knowledge, he wrote to a United States Senator under date of August 25, 1919, in which he said:

I have known Mr. Williams for many years and feel absolutely sure the opposition to him is caused by his desire and determination to make all banks conform to the rules and regulations of the United States Revised Statutes. I feel absolutely sure that he has given no bank any trouble whose officers were managing their institutions along legitimate lines and conforming to the national bank act.

President Freeman, of the Merchants' National Bank, of Topeka, Kans., July 19, 1919, wrote:

Observing that there seems to be hesitancy on the part of a few Senators to promptly confirm your reappointment, I have taken the liberty and pleasure of addressing Senators Curtis and Capper regarding the matter, and it is my confident hope that results will not be to your disadvantage.

Trusting that the victory will be yours and that we may have the privilege of further aiding you in the continued development of the best banking system on earth, I am, etc.

In a letter dated June 28, 1919, President Homer, of the Second National Bank of Baltimore, said:

The data setting forth the character and motives of opposition before the Senate committee to confirmation of the Comptroller of the Currency has been carefully examined by me. You are to be congratulated in that the opposition is almost exclusively of such origin. It must be a source of satisfaction to you to know that, by your painstaking work in the cases of similar character, you have weeded out many weak spots in the national bank system. If all of the opposition arose from such sources your nomination should and ought to be confirmed without hesitation.

Mr. N. A. McMillan, president of the St. Louis Union National Bank, under date of June 25, 1919, wrote:

The record as to national bank failures in the period referred to by you has been most excellent, and I hope and feel that the same will continue for the future. We have been in the system less than 30 days, but believe that we made a good move and feel that our experience in the future will justify the change to the national system.

Mr. A. D. Graham, president of the Citizens' National Bank of Baltimore, the second largest bank in the State of Maryland, under date of August 6, 1919, wrote me as follows:

I have been connected with the Citizens' National Bank for over a quarter of a century, and I want to go on record as saying that the examinations that are now being made by your examiners are no more like those that were made

under your predecessors than a \$20 gold piece is like a lead quarter. It is my firm belief that you have done more to further the interests of good banking methods than all of the comptrollers put together since I first entered the bank as a bookkeeper in 1892. I hope the time may soon come when practically all of our State banks and trust companies will find it to their advantage to join with us, in order that we may have one united system.

Under date of July 28, 1919, I had the honor to receive from the chairman of the railroad commission of Kentucky, Hon Lawrence B. Finn, a letter in which he said:

I have been discussing the unholy warfare being waged against you by certain interests which have felt the strength of an honest administration by a worthy public official, and I called * * * attention to the fact that as far back as January 10, 1916, I had predicted just such a result. I happened to preserve my letter to you, and I shall quote some paragraphs from this letter, which indicate how accurate my predictions were:

"It requires courage to speak so plainly concerning the evils of a system so powerful as the banking interests of this Nation. Your fidelity to just policies in opposition to indefensible practices should commend you to the good graces of the fair-minded people of this Nation. Unfortunately, however, not enough individuals study public questions from an unselfish, patriotic standpoint. The people as a whole have no organization to protect them. The interests are closely allied for a common purpose and every day are devising plans and ways to prevent just legislation, or, if possible, to evade the law after it has been passed, or to secure men who will serve their interest whose duty it is to execute the law.

"Mark this prediction, you will have a hard time holding your position. The big interests of the country with whom the banks are closely allied will bring much pressure to bear from many sources."

The editor of the Commercial Appeal, of Memphis, Tenn., whose circulation is one of the largest in the entire South, in a letter under date of March 10, 1919, wrote me as follows:

You have done a great work, Mr. Williams, in the office of comptroller. In the beginning certain things you did startled me as an editor, and only my knowledge of your past career, which was splendid, caused me to withhold comment, but very soon I saw that you were driving at the very heart of the right thing.

Mr. Edward Frensdorf, a bank director of Hudson, Mich., in a statement published in the press, said:

It looks to me as if the same crowd that led the desperate but unsuccessful fight against the currency law and the Federal reserve banks, has started another crusade against an administration that will not be dictated to * * *. Comptroller Williams can be relied upon to enforce the law and rules governing his department without fear of favor, and all banks can be assured of impartial but rigid enforcement of every regulation.

As a bank director and depositor I am anxious that every official exercise the same vigilance and equal inquisitiveness. Banks are busted from the inside, not from without, and every precaution taken to protect the credit of banks should be upheld by bankers who want the confidence of the public.

I am quite sure the developments of the Riggs Bank fuss will demonstrate to every fair-minded person that our national banking system was never in safer or more competent hands.

From Gainesville, Tex., I had the pleasure of receiving from Mr. J. W. Powers, a leading business man and banker of that section, a letter in which he said:

As a former banker, with an experience extending over 25 years in banking, I desire to commend and congratulate you upon the stand you have taken in the affair of the Riggs National Bank.

From my reading on the matter, it seems clear to me that they have been indulging in practices that are absolutely contrary to sound banking. When

reprimanded they have evidently felt they were above the ordinary rules, and were superior to the rulings of the department.

The question to be decided now seems to be, whether the banks are to run the Government, or whether the Government is to control the banks.

The following extract is from a letter received from Mr. John T. Griffin, president of the Merchants' and Farmers' Bank, of Portsmouth, Va., the leading State bank of that section, and was written under date of September 11, 1918:

I want to congratulate you, that after all the troubles and worries that you have had, that so far as I can learn, all have passed away, and you are now receiving the thanks and congratulations of the country at large.

I think it was Bulwer who said "That if a man were never to tread on a snake or worm during his life, he must sit in his armchair from the day of his birth to the day of his death."

I was first attracted to you by the enemies you made before I knew you well. * * * As I have moved around among people from different sections of the country, I have looked into their relations to you, and I am glad to say that I find none who are not disposed to honor you for the great work you have done.

Under date of May 18, 1918, I had the honor to receive from the bank commissioner of Massachusetts the following letter:

COMMONWEALTH OF MASSACHUSETTS,
OFFICE OF THE BANK COMMISSIONER,
Boston, May 18, 1918.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

DEAR MR. WILLIAMS: I have received your favor of the clipping of the retraction in the Evening Sun, in regard to the Riggs National Bank matter, which gives me great pleasure and satisfaction.

It is gratifying to have a friend vindicated in the same place where he has been falsely maligned, and to see your vigorous and right course of action acknowledged to be such by those who had opposed it. I believe one is bound to stand up for his personal integrity whenever it is assailed, and yet, by reason of my official position, I have many times felt handicapped in so doing. Whenever one goes straight ahead and attacks errors which have been improperly overlooked, and which have become a habit, it has been my experience that the personal attack is the more bitter because of the want of argument, so I heartily sympathize with the injury done and with the gratification you have a right to feel in this recognition, even by your opponents, of your high-minded action in office.

With my cordial regards, I am,
Very truly, yours,

AUGUSTUS L. THORNDIKE.

When the railroads were taken over by the Government in January, 1918, I accepted, at the request of Director General McAdoo, the office of director of finance and purchases. The duties of that office were exacting and laborious and were performed without remuneration.

In March, 1919, when the war was over, I asked to be relieved of these additional duties, and upon receipt of my resignation, Director General Hines wrote me, under date of March 8, 1919, the following letter:

UNITED STATES RAILROAD ADMINISTRATION,
WALKER D. HINES, DIRECTOR GENERAL,
Washington, March 8, 1919.

DEAR MR. WILLIAMS: I have your letter of 7th instant. In accepting your resignation as Director of the Division of Finance and Purchases I wish to testify in the most unqualified terms to the patriotism, integrity, and self-sacrifice with which you have at all times discharged the heavy additional duties which resulted from your unselfish acceptance of this important adminis-

trative position with the Railroad Administration. I have never come in contact with higher motives of public service than those which have consistently characterized your handling of the work in the Railroad Administration.

It is a great satisfaction to me to know that while you are no longer in position to perform the burdensome administrative functions with which the Division of Finance and Purchases has been charged, you will still be able to give me the benefit of your wise counsel, long experience, and high standards of public service. In order to get the fullest benefit of these aids to my work, I have asked you to accept the chairmanship of a finance committee which will be expected to submit to the director general from time to time its advice on matters of financial policy, and also to make to the director general preliminary reports on any proposed reorganizations which may require his approval. I have also asked you to accept the chairmanship of an advisory committee on purchases, which will be charged with authority to investigate and advise on important questions of policy involving purchase of materials and supplies for the railroads. I shall, of course, rely upon your continuing to participate in the Railroad Administration's staff conferences and to preside at those conferences in my absence. I have the highest satisfaction in knowing from our discussions of the matter that you will continue to assist me in those important capacities.

In conclusion, I wish to offer my profound thanks for the untiring and unselfish devotion which you have manifested to the Railroad Administration throughout its existence, and for the invaluable assistance you have given in its most pressing and important problems.

Sincerely, yours,

WALKER D. HINES.

Hon. JOHN SKELTON WILLIAMS,
Washington, D. C.

I now ask that there be included in this record the following letter which, under date of December 14, 1918, I had the honor to receive from Hon. William G. McAdoo, then Secretary of the Treasury and Director General of Railroads:

THE SECRETARY OF THE TREASURY,
Washington, December 14, 1918.

MY DEAR WILLIAMS: Before I surrender my commission as Secretary of the Treasury, I wish you to know how much I appreciate the unswerving and loyal support you have given me throughout my term of office.

You responded to my invitation at the very outset of my official career to become Assistant Secretary of the Treasury in charge of the fiscal bureaus. You then consented, at my request, to take the office of Comptroller of the Currency, one of the most important in the Treasury Department, and at that time rendered doubly so because of the organization of the Federal Reserve System and of the new duties which were thereby imposed upon the Comptroller of the Currency.

When I became Director General of Railroads you consented, at my request, to become Director of the Division of Finance and Purchases, one of the most responsible in the Railroad Administration. You assumed these new burdens cheerfully, notwithstanding the fact that your duties in the Treasury Department and with the Federal Reserve Board were of the most exacting and laborious character.

To all of these were subsequently added membership on the Capital Issues Committee, which in turn demanded intelligent discrimination and painstaking service.

In every one of these vital and essential responsibilities, you have acquitted yourself with rare courage, devotion, industry, and patriotism. You have been indefatigable and unsparing of self throughout all the critical times of the past six years, and especially during the past 20 months of war. Your enthusiasm and determination have never been diminished by any obstacles, however formidable, nor by any criticism or misrepresentation, however malignant and unjustified. You have suffered from misrepresentation to an unusual degree, because you have had the courage to enforce the law without fear or favor. No man who fills the office of Comptroller of the Currency will ever be popular if he administers it with impartiality and justice.

When the impartial history of the great times through which we have just passed shall have been written you will be accorded a high place as an unusually able and fearless public official who has made the office of Comptroller

of the Currency what it should be—a potential influence for sound and clean banking—banking conducted with reference to the just interests of those, high or low, who have to do business with banking institutions. You have stood consistently for high ethical standards in the banking world as well as in the business world, and the good influence of your work will be felt permanently in the financial system of the United States.

One can not be a reformer or a crusader for conscience and justice without incurring the enmity and malignity of the intrenched selfishness of those who have profited by other methods, but one can, nevertheless, have that fine satisfaction which comes from the clean and high-minded discharge of duty, regardless of personal consequences. This you have done—you have been a faithful servant and a fearless patriot.

While our official relations will soon be severed, our personal friendship shall never be altered, so far as I am concerned. And wherever your lot may be cast I shall follow you with the affectionate solicitude of a genuine and devoted friend.

Cordially, yours,

W. G. McADOO.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

I do not wish to take up further space with a mass of commendatory newspaper editorials and articles which have come to me from various sections of the country, but I shall take the liberty of inserting just a few examples from newspapers from regions near by and remote.

The first to which I now ask your attention is from the New York Evening Sun of April 27, 1918:

A STATEMENT IN JUSTICE TO MR. JOHN SKELTON WILLIAMS.

A letter received a few days ago from John Skelton Williams, Comptroller of the Currency, calls our attention to an editorial article printed in this newspaper more than three years ago, at the height of the bitter controversy between the comptroller and the Riggs National Bank, of Washington. At Mr. Williams's suggestion we have reexamined the statements of that article and compared them with the facts submitted by him as justifying, in his opinion, the correction of misinformation and the reparation of injustice done him.

In general he objects to the Evening Sun's characterization of his activities in that case; and in particular he objects to the specific declaration that his assertion was not true wherein he stated that the Department of Justice had taken up certain irregularities of the bank and had employed special counsel to prosecute them.

In Mr. Williams's letter to us he explains as follows the delay of three years in taking up with us the matter of this editorial. He says on this point:

"My first impulse to seek redress for what I regarded and yet regard as a scandalous and unjustifiable attack on my personal and official character was restrained by advice against complicating the case with a newspaper controversy.

* * * Since the trial referred to I have been intensely absorbed, first, with the duties my office requires of me in connection with the establishment and operation of the Federal Reserve System, and later with the new questions and labors resulting from the war. Recently I realized that while I was putting this matter of my own defense aside for other duties I was hazarding my right to appeal to the courts, if all other means for obtaining redress failed me."

The incident of the Riggs National Bank prosecution occurred more than a year before the present ownership and management of this newspaper had come into control of its utterances. While this fact of date has no relation to the continuity of journalistic responsibility, it may have some little value on personal aspects of the matter. In the second place, the idea of legal proceedings to procure editorial justice is neither necessary nor of any moment, the time limit for a court test of such question having passed by more than a year. But this fact is of no consequence so far as concerns our attitude in the matter, which is to do justice to Mr. Williams voluntarily and whole-heartedly, in so far as justice can be done, by acknowledging in these columns that the editorial in question never should have been printed. It was intemperate in respect to

general criticism and without facts to justify the accusation of untruthfulness on the part of Mr. Williams.

The writer of the editorial may have had some statements from Washington that seemed to warrant his conclusion, but clearly they were not of sufficient weight to merit drastic editorial criticism. That in every respect Mr. Williams acted in good faith in the Riggs Bank controversy and with conscientious regard for the duties of his office, and with the strictest regard for accuracy in all statements, the Evening Sun has no doubt whatever.

In fact, this newspaper has come to look upon Mr. Williams as an exceptionally able man, straightforward, clear-headed, aggressive, and a prodigious worker. And the Evening Sun is glad to record here the fact that the prejudices in financial circles against Mr. Williams in the early days of his connection with the comptroller's office have given place to the opinion which the Evening Sun now has of the comptroller. It is certain that the comptroller's office in many years prior to Mr. Williams's incumbency did not have the rigorous business handling which it has had under him. Mr. Williams at once put the office on a sound business basis. He is a thoroughgoing business man, who brooks no laxity of methods anywhere.

This censuring and censurable editorial evidently was a reflection of the general feeling in the financial world at the time it was written. Mr. Williams's vigorous and revolutionary methods in the comptroller's office brought about an embittered prejudice against the new comptroller, and this prejudice was sharply accentuated by the Riggs Bank case, bankers here and elsewhere very generally taking the side of the Washington bank. The Evening Sun's editorial was the fruitage of this prejudice. This is the only reason we can find for its publication, and it is no justification.

Mr. Williams was quite right in resenting the article and is quite right in asking that this newspaper retract the accusation of misrepresentation by him. This the Evening Sun cheerfully does.

The following editorial is from the Wall Street Journal (New York) of June 13, 1916. I ask your especial attention to the statement in this editorial that—

* * * the court offers an opinion which is decidedly at variance with the first interpretation of this decision, printed in this and other newspapers on June 1. It is only fair to the administration's financial officers to say that the court, to a very large extent, upheld the position taken by the Comptroller of the Currency.

The misleading reports first sent out were presumably due to the activity of the Riggs Bank's paid publicity agent who has so frequently been commended by Mr. Hogan. Mr. Hogan had also before your committee commented upon the "accuracy" of the very press reports to whose incorrectness the Wall Street Journal refers.

[Editorial from the Wall Street Journal of June 13, 1916.]

In a decision by the Supreme Court of the District of Columbia, in the equity case of the Riggs National Bank against the Comptroller of the Currency, the Secretary of the Treasury, and the Treasurer of the United States, the court offers an opinion which is decidedly at variance with the first interpretation of the decision, printed in this and other newspapers on June 1. It is only fair to the administration's financial officers to say that the court, to a very large extent, upheld the position taken by the Comptroller of the Currency. The opinion extends to 72 folios and, to a lay mind, is wordy and involved. One lawyer who read it impatiently declared that it almost needed another adjudication to decide upon its meaning.

It does, however, disclose the fact that in the opinion of the court, the comptroller has the power to impose penalties for noncompliance with his demand for reports. In the Riggs case, however, the comptroller did not take the necessary steps to demand the fine before proceeding summarily to collect it. Therefore, that part of the case was decided in favor of the Riggs Bank. Every other count in the bill was decided adversely to the Riggs Bank and substantially in favor of the comptroller. So far from the court holding "that the reports must be only on the condition of the bank and not deal with the bank's management," the opinion quotes from *United States v. Graves* (53 Fed. Rep., 634):

"What is the object of these reports" (the general reports): "to the comptroller? Undoubtedly to advise him as to the condition and method of management of the bank."

Thirteen pages of the report, from folio 50, upon which this occurs, contain a discussion on this point, upon which the comptroller is upheld.

There is no other inference from the opinion of the court than that the comptroller is restrained from collecting the \$5,000 fine he imposed merely because he did not follow the correct procedure. Whether such power should be lodged with the Comptroller of the Currency, or whether that officer is superfluous under the Federal Reserve System, need not be here discussed. The effect of the decision is as here stated.

The following is an editorial from the columns of the *Christian Science Monitor* of Boston, Mass., of January 25, 1916.

The Comptroller of the Currency, John Skelton Williams, has magnified his office as have none of his predecessors. His oath having bound him to perform certain duties, he has done them. Hence his popularity with officials and citizens whose records he has investigated and whose accounts he has studied is not so marked as it is with the general public.

One of the trails that he has followed, and by so doing has stirred up animosity against himself, has led to surprising disclosures that involve the national banks and their charges of usurious rates of interest.

Armed with indisputable evidence backing his charges, Comptroller Williams has been arguing before legislators for an amendment to the national banking laws that will enable the Department of Justice to proceed against banks so unjustly using their power, which often is monopolistic in the rural regions of the South and in the pioneer communities of the Southwest and Northwest. The outcome of this appeal by the comptroller can hardly be doubtful. It is a simple problem in elementary justice dealing with a propensity of the creditor class that society has had to check since very early times. A national-bank charter can not be allowed to be the shelter of men who would fleece their fellow citizens. The Nation can not be less sensitive to honor than are the States. Consequently there is only one thing to do, now that the facts are known. A way, short of withdrawal of the charter, should be found, by which offenders may be punished; and such work of prosecution naturally falls to the Attorney General on recommendation of the comptroller. Specific granting by Congress of such power will at once set in operation legal machinery that should bring relief to the farmers and merchants of regions now held in a form of slavery that is none the less odious because pecuniary and economic, though not political.

Editorial from the *Columbia (S. C.) State*, of September 3, 1919:

AN ENFORCER OF LAW.

Surely enough time has elapsed for the Senate of the United States to give due consideration to the reappointment of John Skelton Williams as Comptroller of the Currency.

The people of the United States, without regard to party affiliations, are convinced that Mr. Williams has proved an exceptionally able and honest comptroller. Entering the office, he at once set out to enforce the national banking laws, some of which had been honored more in the breach than in the observance, with the result that a more uniform and strict adherence to the regulations whereby the funds of the people intrusted to them prevails than at any time in the past. Recognition of their custodial responsibility has been consistently pressed upon the bankers by Mr. Williams, and nowhere is a banker to be found, barring perhaps less than half a dozen to whom his high conception of banking obligation was distasteful, who will not admit that his administration has resulted in substantial and valuable reforms. Mr. Williams has simply insisted that no law of national banking should be a dead letter. He put an end to the ancient abuse of overdrafts, with its demoralizing tendencies; he compelled banks to be more exact in relation to the acceptance of mortgages as collateral, to the greatly enhanced protection of depositors, and in numerous other ways, all in conformity with statute laws, he exacted greater care in banking methods.

Mr. Williams has been and is a conspicuously useful, honest, and devoted public servant and the people know it. Had he been easy-going, he would have fewer enemies and the public would have had less security.

The following editorial is from the News-Leader of Richmond, Va., August 22, 1916:

POLITICAL ENEMY APPRECIATION.

In debate in the House Friday, in which the Federal Reserve System figured incidentally, Representative Hill (Republican), of Connecticut, voiced high appreciation of two Virginians. Mr. Hill was not prepared to admit, as some have contended, that the system had mitigated the "abuses of usury in certain sections of the country." It was the man, not the system, which had done that, he argued. And he added:

"The Secretary claims that the system has mitigated the abuses of usury in certain sections of the country. There is nothing to the claim, for it is a man and not a system which has done that. The man who is entitled to credit is the Hon. John Skelton Williams, acting in the capacity of Comptroller of the Currency, and he is entitled to the thanks of the country for it. He began the work by exposing abuses three weeks before a Federal reserve bank was organized, taking it up first with the city banks and then following it up in the country districts. It took nerve and courage to do it, but the effect of the publicity given to the abuses has reached straight down into the State bank system, over which the Federal Reserve Board has had no control whatever."

Then Mr. Hill, after reluctantly admitting that "there is enough good in the Federal Reserve System to justify its existence as a step toward better things," and following recognition of the "study, good sense, and the sound money principles of Carter Glass," continued:

"For what good there is the country may, first of all, thank the Hon. Carter Glass, of Virginia, who from the very beginning, to my personal knowledge, stood like a rock against the adoption of the financial heresies of some of his party associates of high and low degree."

Mr. Hill's allusion to financial heresies—differences of the past between Mr. Glass and some of his associates and in the laborious work of perfecting the new act—is apart of the mark. Also is the fact that Mr. Hill's speech was largely political and in criticism of the administration. The point is that neither of these considerations detract from the justness of his tributes to Mr. Williams and Mr. Glass. However unfair he may have been to others, he was fair to these two Virginians. However narrow and partisan his view of the general subject he was discussing, his vision broadened and his partisanship halted upon confronting these two individual and personal cases. That much must be said to his credit.

The fourth is an editorial from the Pacific Banker, published in Portland, Oreg., and Seattle, Wash., July 26, 1919:

ANOTHER DEFENDER—OUR ATTITUDE ON COMPTROLLER WILLIAMS THOUGHT UNFAIR BY SAN FRANCISCO BANKER.

Last week there was published at the head of our editorial columns a letter wherein a very good friend, who disagreed with the view we have expressed relative to John Skelton Williams, Comptroller of the Currency, pointed out certain things he thought entitled Mr. Williams to credit we had not given. A short time ago a similar letter was received from Herbert Fleishhacker, president of the Anglo & London-Paris National Bank, of San Francisco. Actuated by the same motives which led to the publication of the other letter—our sincere desire that our columns shall always be open for expression of opinion honestly different from ours—we have obtained permission from Mr. Fleishhacker to print the letter, which said:

"DEAR MR. BAKER: My attention has been called to an editorial in the Pacific Banker of April 26 in which you say:

"So far as we can see, with very few exceptions, Mr. Williams has antagonized the whole personnel of the national banking system. Whether we are right in our diagnosis as to the cause, the fact exists. And that is sufficient. The system will not grow as it should under his administration. His manner, which some call malicious, others honest, but all unfortunate, will prevent that and is preventing it.

"* * * He can not be considered efficient, for the reason that he has turned his whole flock, practically without exception, against him."

Knowing your broad-minded policies and fairness of purpose, I feel free to write you in an endeavor to correct what I consider is a wrong impression in regard to Mr. Williams and his administration of the office of Comptroller of the Currency. From information I have received, it would appear that there has been a gratifying increase in the number of banks added to the national system during Mr. Williams's administration and a remarkable immunity from bank failures—only two banks having closed, I believe, during the past year and a half.

Possibly Mr. Williams, or his official staff, have made some errors of judgment during the past trying years in our history, but what big man in Washington has not made a few mistakes? Knowing Mr. Williams as I do, I do not hesitate to give him full credit for a high intention and thoroughly conscientious purpose in every official act that has come to my notice. It is true that some additional work has been placed upon the banks in the way of reports, but this is largely on account of the rapid development of our Federal Reserve System and the necessity of obtaining specific statistics along certain lines.

In my judgment, the national banking system was never in a more healthy condition than it is to-day, largely on account of the able and constructive administration of the comptroller's office.

I am writing you in this way as a matter of fair play, and because I have admired Mr. Williams's sterling qualities and absolute honesty of purpose. I feel confident that bankers in general will bear me out in my statement that our comptroller's administration has been exceedingly helpful and eminently successful.

May I not ask you to give Mr. Williams credit for the big things he has accomplished, the high standard of efficiency he has maintained, and the splendid results he has obtained?

I shall also take the liberty of inserting in the record the attached article from *The Outlook* (New York) of June 5, 1918:

THE COMPTROLLER OF THE CURRENCY—THE MAN AND THE JOB.

[By Theodore H. Price, editor of *Commerce and Finance*.]

[After the Secretary of the Treasury, whose adjutant he is, the Comptroller of the Currency is the most important officer of finance in our Government. He has directly under his control some 7,700 national banks, whose resources now exceed \$18,000,000,000. He also has supervision of all currency issues and is ex officio a member of the Federal Reserve Board. The present comptroller, John Skelton Williams, holds several other important positions, but his office, considered entirely in the light of the banking power that is under his direction, makes him one of the most responsible and influential financial functionaries in the world. As such we think that the following description of the present comptroller and his many activities is of timely interest to the readers of *The Outlook*.—THE EDITORS.]

Of Lloyd George it has recently been said: "If ever there was a man who glories in conflict and eats trouble alive, it is he. It is the breath of his life, the flint that strikes sparks from his steel."

These words are as applicable to John Skelton Williams as to Lloyd George, for ever since the Comptroller of the Currency has been in public office, and long before, he has been eating trouble alive, and his appetite seems to grow by what it feeds upon.

He may be described as the man who has put the office of the Comptroller of the Currency on the map; for while nearly every one knows that he has filled that position for some years now, it is to be doubted whether there are many persons in the United States who can name any of his predecessors. While the office, first established in 1863, has been held by some men who subsequently became prominent as bankers, it can hardly be said that any of them were, during the time of their incumbency as Comptroller, the national figure that John Skelton Williams is to-day. It may perhaps be true that the conditions have favored Mr. Williams, for he has been in office during a period in which the constructive man has had unusual opportunities, but if he had not been constructive and forceful he might have remained Comptroller without impressing himself upon the country as he has.

As there is a Comptroller of the Treasury as well as a Comptroller of the Currency, and the financial machinery of the Government is becoming so multiplex that there are but few who understand which functions the various agencies perform, it may be well to explain just what duties Mr. Williams is charged with. Under the law creating his office, which was passed concurrently with the national bank act in 1863, he was made responsible for the is-

suance of the currency authorized by Congress, including especially the then newly authorized national bank notes, and the supervision of the nationalized banks by whom these notes were issued. Thus it happens that he is empowered to charter national banks, is provided with a force of bank examiners through whom he is kept appraised of the condition of the institutions under his care, is empowered to close up and liquidate mismanaged or insolvent banks and to punish and prosecute their officers and any others who may have violated the banking laws.

Since 1863 the duties and responsibilities of the Comptroller of the Currency have been vastly increased, and he has become almost an adjutant to the Secretary of the Treasury, with whom he is of necessity in constant touch. Under the Federal reserve act he is ex officio a member of the Federal Reserve Board, and Mr. Williams is, in addition, director of the Division of Finance and Purchases of the United States Railroad Administration, a member of the Capital Issues Commission, which determines what securities may or may not be issued during the war, treasurer of the American National Red Cross, and, under appointment of the President, a member of its central committee. As director of the Division of Finance and Purchases of the United States Railroad Administration, Mr. Williams has supervision of the purchase, yearly, of some \$2,000,000,000 worth of supplies and equipment for 300,000 miles of railway and has general direction of the financing of the component systems to enable them to meet these vast requirements and also provide for the hundreds of millions of dollars of bonds maturing every year.

As a sidelight upon his character and methods, I may mention that when this list of his various offices was supplied to me by one of his subordinates I remarked, "I suppose he is simply honorary treasurer of the Red Cross," and was answered, "Mr. Williams couldn't be 'honorary' anything. He knows all about the Red Cross, where the money is kept, and how it is spent." The impression that the man makes upon his associates may be inferred from a statement made to me by one of his colleagues in the Railroad Administration, who said, "I am really astonished by the unyielding thoroughness that Williams shows. He is ruthless in demanding the facts and gets things done with amazing speed."

These comments are interpolated by way of explaining how one man can "hold down" so many different jobs successfully. They are all interrelated in that they all have to do with the custody and expenditure of the Nation's money, but each of them involves a study of and acquaintance with problems and activities that are widely divergent.

In so far, however, as these problems are those of finance and transportation, Mr. Williams is peculiarly well qualified to deal with them by his experience before he became comptroller. He is a Virginian of distinguished ancestry. His father, John L. Williams, who had been in the Confederate Army and financial agent of the Confederate government, was a prominent banker in Richmond, Va., and made his son a partner in the firm of John L. Williams & Son in 1886, as soon as the younger man had reached his majority. It was not long before his genius for financial organization commenced to assert itself. He has been an active factor, as either director or president, in banks and trust companies in Baltimore and New York as well as in the South since he was 25 years of age, and in 1901 was elected president or chairman of the trust company section of the American Bankers' Association and a member of the executive council of the association. He found time to direct his energies toward the development of railway interests in the South, and by the time he was 29 years of age he had put together a railway 300 miles long in Georgia and Alabama, of which he was chosen president. With this as a nucleus, he built up the Seaboard Air Line System by consolidation, purchase, and construction until by 1900 he had 3,000 miles of railway traversing the Atlantic coast from Virginia to Florida under his direction, and at the age of 35 he was president of one of the most important trunk lines in the country.

It was the rapid growth of this system and its competition for the traffic that the older through lines had previously monopolized that brought its young president into conflict with certain financial powers in New York who seemed to feel that their preserves were being invaded. As railway competition in the United States is now at an end and bankers no longer have a proprietary interest in the transportation facilities upon which the business of the Nation depends, it is unnecessary to rewrite the history of an episode that was characteristic of the period when capitalists fought for the control of railways and the right to exploit them as their private property. Mr. Williams made a good

fight, in which he won the respect of his antagonists; and while the control of the Seaboard system was wrested away from him by strategic methods that would be condemned to-day, it is a mistake to assume that he cherishes any resentment toward those who were responsible for his discomfiture.

He is too busy, even if he were not too big, to be looking backward, and his passion to-day is to make the financial and transportation agencies of the country so efficient that they will be equal to any demands that may be made on them during the war and in the subsequent era of prosperity that he foresees. He is one of the group to whose vision of the future, its opportunities and its requirements, we are largely indebted for the Federal reserve act, the farm loan bill, the measure providing for Federal administration of the railways, the law creating the War Finance Corporation, and much other legislation designed to safeguard, develop, and give increased flexibility to the credit and transportation machinery of the country.

It is to be doubted whether the public realizes or will ever realize the obligation that the Nation is under to this group of men, specially notable among whom, besides the President, under whose inspiration and stimulus they worked, are Secretary McAdoo, Senator Owens, and Representative Glass.

Their success in securing the adoption of the most constructive and progressive plan of fiscal reform and reorganization ever devised in this or any other country enabled us to avert National bankruptcy during the early stages of the war, and is now making it possible for us to carry so lightly the enormous financial burdens that we have assumed.

From his earliest youth Mr. Williams has been a constructive optimist. When he was but 26 years of age he delivered an address in Nashville upon the "Credit of the South" that presaged the future of that section with extraordinary accuracy, and ever since the synthetic quality of his vision has been evident in deed as well as in word. A man of education and a student of law at the University of Virginia, he has a gift of eloquent and picturesque expression and the capacity for inspiring leadership. Naturally, he has enemies. They are always the proof and the penalty of aggressiveness; but he has also innumerable friends, and one of them said to me that his chief fault, if it be a fault, is his loyalty to his friends. This instinct of loyalty to the obligations of friendship is, after all, but a form of the honesty that demands fidelity in every relation of life.

His rigorous enforcement of the banking laws since he became comptroller is another product of the same honesty of character. He plays no favorites, and some transgressors who, prior to his incumbency, had come to believe that they were above the law have accused him of personal vindictiveness because he has compelled them to abandon practices that have been adjudged illegal. This was the case in a controversy that he had with a prominent bank in Washington, whose management now admits that the present prosperity of the institution is in no small degree due to the rigor and promptitude of the comptroller's action.

He has upon more than one occasion reprimanded the banks that charged usurious rates of interest. He recently refused to grant a charter to a bank whose incorporators, being men of wealth, had failed to subscribe their reasonable share to the Liberty bond issues, and only the other day he gave financial New York a severe jolt by borrowing \$6,000,000 for the New York Central Railroad at 6 per cent when the most powerful banking concern in the world had told him that it had found it impossible to get the money for less than 7 per cent.

He maintains that there can be profiteering in the matter of interest rates as well as in the price of commodities, and he is an iconoclast with regard to many traditions and methods that formerly had the sanction of high finance.

It is not surprising, therefore, that he has had and still has a good many fights on his hands, but it is this very pugnacity in behalf of what he believes to be right that is making him a popular character and a notable man.

In joining with the Secretary of the Treasury in advocacy of a provision in the Federal reserve law that makes the Secretaries and Assistant Secretaries of the Treasury, the Comptroller of the Currency, and the governors of the Federal reserve boards ineligible for election as officers or directors of any national bank for two years after they have held any of the offices named, he has eliminated the personal equation of their future banking affiliations from the calculations of these various functionaries, and he is absolutely unafraid of the power by which some of his predecessors have been overawed.

As under the law he can not receive in the aggregate more than \$12,000 per annum from the Government for all the duties he performs and all the offices he holds, it is impossible to imagine that the monetary reward of his position can have any appeal for him. He is a fiend for work and detail, and it is not at all unusual for him to be found in his office at midnight. As a hard worker for the Government he is not, however, peculiar at present. There are hundreds of other men in Washington who draw no pay and are just as industrious as he.

Mr. Williams is conspicuous among them, not for his devotion to the country but by virtue of the dynamic idealism in which that devotion expresses itself. As his associate already quoted said, "He gets things done with amazing speed," and although in getting them done he sometimes jostles the conservatives, he never seems to forget the interest of the people or the law that he has sworn to obey and enforce. His insistence upon the observance of the law by the banks has been, in fact, responsible for most of the trouble and criticism that he has encountered as comptroller. The results, however, appear to justify the policy Mr. Williams has pursued.

He was appointed comptroller in February, 1914. During the 33 years prior to his appointment the annual loss to national bank depositors by failure had averaged twenty-eight one-thousandths of 1 per cent of the total national bank deposits. In the three years ending October 31, 1917, this ratio had been reduced to three one-thousandths of 1 per cent, or almost nothing; and in about the same period, which is almost coincident with that of the war and the financial unsettlement incident to it, the resources of the national banks under his supervision have increased from \$11,492,453,000 to \$18,553,197,000, or by over 61 per cent.

Such a record takes the point off criticism and makes the man at whom it is directed the despair of his enemies. And this phrase exactly describes John Skelton Williams. He is the despair of the enemies who fear his force and rectitude, the delight of the friends who rejoice in his sympathetic and unswerving loyalty; a big, strong, human character who hits hard, but never unfairly, and is daily becoming more widely known to his countrymen as a man whom they can trust.

I shall also ask that there be printed in the record the attached copy of a letter which, under date of July 23, 1919, was, I am informed, sent by Mr. I. H. Nakdimen, president of the City National Bank, of Fort Smith, Ark., to every Member of Congress. As Mr. Nakdimen explains in his letter, it was prepared and distributed entirely without my knowledge—in fact, I knew nothing of it until about a week or two after it had been sent out. I never had the pleasure of meeting Mr. Nakdimen save on one brief occasion when he was in Washington several years ago:

CITY NATIONAL BANK,
Fort Smith, Ark., July 23, 1919.

PLEASE READ THIS LETTER.

MY DEAR SIR: Every public officer who is trying to do his duty should read this letter and say to himself, "Are we going to allow a public officer who tries to do his duty without fear or favor to be abused?"

I notice through the press where Hon. John Skelton Williams, the present comptroller, is abused, criticized, for what—for doing his duty without fear or favor.

You may say to yourself, What object have I got in this matter? Why am I taking up this fight? Why am I wasting time and money and writing letters to all the Senators and Congressmen? That will be the first thing that comes in your mind.

In answer to same I wish to state I have no personal interest in John Skelton Williams except for the good of the national banks and the people. I am able to spend a few minutes of my time and a few postage stamps, and I feel it is my duty to write to every Senator and Congressman and give them the information that I possess and have obtained during the 16 years' time that I have been in the banking business.

I have had as many as 15 banks. I have had national banks and State banks. I have been under the supervision of bank examiners, commissioners, and comptrollers.

I was under the supervision of comptrollers prior to John Skelton Williams. I have been under his supervision ever since he has been comptroller. I have been called down by both. I have done a lot of things that I should not have done, but in my case it was absolute innocence and when the comptroller wrote a letter and called my attention to it I was willing and glad to obey his command. Why—because it was for the good of the bank.

We have two classes of bankers. One violates the law knowingly and willingly and the other banker violates the law innocently, but John Skelton Williams makes them both do the same—comply with the law.

There was a time prior to Mr. Williams being comptroller when a banker violated the law the comptroller wrote him a letter and called his attention to it. Sometimes the banker answered the letter and sometimes he didn't. If he did answer, his answer was "I will attend to it," and that was the last of it; but since John Skelton Williams became comptroller, if he writes a letter to a banker calling his attention to the violation of the law, and if the banker doesn't answer within a reasonable time, he gets another letter and calls his attention again. If the letter isn't answered, Mr. Williams wires him and if the wire doesn't do any good, he sends a man down.

And if the man doesn't do any good, he puts the bank on a special list. That means frequent examinations and what is the consequence? The banker begins to get sore and begins to curse and abuse John Skelton Williams; especially the banker who has had his own way for years under the old system.

When Mr. Williams sends down a special examiner the banker begins to growl and grunt. Why? Because Mr. Williams wants him to run a clean bank.

My dear sir, there is more back of the fight that is made on John Skelton Williams than I can ever write. The good banker who is willing to run his bank honestly and obey the law is not against John Skelton Williams. The banker who is against John Skelton Williams is the man who has been continually violating the national banking law, and he does not like to be corrected.

Th banker who is against the present comptroller is the banker who has been violating section 52—excessive loans, allowing overdrafts, using the bank's money for his own benefit, loaning money to his friends and relations to go in business and sharing the profits, and a thousand more violations.

The Riggs National Bank of your city has been fighting the comptroller ever since the comptroller has caused the Riggs National Bank to take its desk out of the comptroller's office. The Riggs National Bank has no more right to have a desk in the comptroller's office than I have or any other banker.

The object and purpose of having the desk in the comptroller's office was to obtain information for the benefit of said bank, and ever since the comptroller caused them to take the desk out the fight began and it has been continued.

No doubt you could get access to the records published by the comptroller in regard to the Riggs National Bank and see how they have been violating the law continually, and because Mr. Comptroller insisted upon the Riggs National Bank to comply with the law then the fight began and it has been a continuous fight.

Now you, as a public officer, are you willing to allow a public officer to be abused and criticized because he is doing his duty? I believe it is every public officer's duty to dig into this fight to the bottom and especially in this case, because I am safe in saying you will find this is a manufactured fight for a selfish purpose.

Ever since the present comptroller began to inject purity into the National banking system, and ever since he began to pump the impurity out of the National banking system, the bankers through some of the bankers' magazines have been fighting him and criticising him.

I defy any of those bankers who are fighting him secretly and under cover to come before the United States Senate or the committee and tell what he has done to discredit the National banks.

John Skelton Williams is responsible for the condition the National banks are in to-day. He has purified them. He has pumped all the impurity out of them by his strict restrictions. He was forced to put the iron hand on them and make them obey the law because they were too loose in their method of banking. They were spoiled. They were doing as they pleased and when he became comptroller, no doubt he saw it. He tried to do it in as nice a way as he could but they would not let him and in order to accomplish, and in order

to make the banks comply with the National banking law, he was forced and compelled to use the iron hand.

He is responsible for the usurers' interest ceasing. If you take the bankers' own reports, you will find where lots of bankers who report honestly, have reported that they have charged as high as 60 and 70 per cent and the dishonest banker makes a false report by reporting from 6 to 10 per cent.

Take the report that was made to the comptroller prior to John Skelton Williams and take the report that is now made during Mr. Williams's administration. Compare the two reports. Lay them on your desk and look at them. Study the two and see if there is anything wrong—if there is anything a banker could object to.

I will admit there is more work attached to it; but suppose there is an hour's more work. Why should a banker refuse to give all the details about his bank if he is a good, honest, conscientious banker?

You remember as well as I do the fight the bankers made on the Federal reserve banks. You know the fight they made on the postal savings. You know the fight they have made on every bill that has ever passed in connection with a bank.

Some of the bankers even went as far and said if the Federal reserve bank act was passed that they would get out of the national banking system. They would denationalize—a great big bluff as usual.

Suppose we didn't have the Federal reserve bank. Where would this country have been during the war? The people of this country do not realize and do not appreciate what a great salvation, what a great saving, and what absolutely saved the country and that is the Federal reserve bank.

Every man ought to have the name of the Federal reserve bank upon his door.

Only a few months ago the Union Service Co., of your city, at 816 Fifteenth street NW., issued a letter and mailed it to every banker in the United States, criticizing and abusing the present comptroller. Why—what have they go to do with it? Why are they spending money for stationery, printing, and postage? Are they a good Samaritan?

Don't you know that some banker is back of it? Some of the bankers who haven't got the nerve and who haven't got the manhood to come out under their own signature, get a tool like the Union Service or some other publication.

I believe the Senate ought to demand of each banker who is opposed to the present comptroller to appear before the committee and give his reason in person and not abus a public officer who is trying to do his duty without fear or favor and be abused by a paid publication.

I herewith inclose copy of letter that I have written to the Union Service Co.

Also inclosed find copy of letter that I have written to Mr. Cousins, editor of the American Banker, of New York, who has taken a delight to "slip it in" occasionally to Mr. Comptroller through the influence of some irresponsible and unreliable bankers who no doubt have been continually violating the law and desire to continue to violate the law and because they can not continue to run their banks to suit themselves.

Some of the national bankers were not satisfied with getting paid publications to criticize and abuse Mr. Williams, but they secured a State banker, Mr. Sabin, of New York, and he became indignant about the comptroller and made a public speech criticizing him. Mr. Sabin is president of a large bank, and I believe he has all he can do to take care of his own institution without butting-in on the national system.

It is amusing to read the wicked, the unjustifiable, and the most ridiculous fight that is made by Mr. McFadden, Representative of Pennsylvania, and also president of a national bank, because the comptroller causes him to run his bank in compliance with the national banking law.

I notice in some paper where Mr. McFadden's bank was criticized by the comptroller prior to Mr. Williams's administration and has been criticized ever since Mr. Williams has been in office. Now why don't Mr. McFadden comply with the national banking law like all the other bankers and cease growling? There isn't but one way to run a bank and that is comply with the law, and that is all the present comptroller demands from the banks.

The comptroller has made a remarkable record during the time of his administration. The last record shows that in 18 months there weren't but two little bank failures out of 8,000. A public officer who makes a record of this kind ought to be commended and ought to be noticed, and he ought to be protected and defended by his fellow public officers.

In order for the United States Senate to be satisfied that the criticism made by the bankers against the comptroller is just or fair, subpoena these bankers before the Senate committee personally and let them give their reasons and let them make their objections. I doubt if you can find a half dozen out of 8,000 bankers.

In my opinion, I believe it is the duty of every Senator to see that these unjust charges against a public officer cease, and these bankers should be punished for airing out false charges for the purpose of discredit when they know there are no grounds for the false charges.

I wish to state that this letter is written without the knowledge or consent of John Skelton Williams, either directly or indirectly.

Yours, very truly,

I. H. NAKDIMEN

CITY NATIONAL BANK,
Fort Smith, Ark., February 19, 1919.

Mr. WILFRED S. COUSINS,

Editor American Banker, 67 Pearl Street, New York, N. Y.

MY DEAR MR. COUSINS: No doubt when you get this letter you will say to yourself, "There's the same old crank coming back at me." But after you read it I want you to take another thought and say to yourself, "No; he is not a crank."

I want you to read the copy of the letter that I herewith inclose that I have written to Congressman Wingo, and also copy of the letter I have written to the Union Service Co. at Washington, then I want you to read a copy of the editorial appearing in your magazine of February 3, on page 216, from the Philadelphia Press, and also in your magazine of February 10, copied from the Financier.

Both articles are absolutely unjustifiable and untrue, and it was written and published for a purpose. Not for a purpose for the good of the banks or the country. It was done for no other purpose except to discredit Hon. John Skelton Williams and discredit the good national banks of America and to injure the banking system of this country.

I believe that I have written you before and expressed the good that Hon. John Skelton Williams has done ever since he has been in office for the good banks. In my opinion he is a genius. He has done more for the banking fraternity than all the comptrollers have done for 30 years prior to his taking charge.

He has purified the banking system. He has eliminated the bank grafter. He has caused the stockholders of the national banks to get what is coming to them. He is the cause of the banks loaning money at a legal rate of interest. He is the cause of the national bankers being in such good shape that there was not a failure in eight months.

He is a credit to the National Government and to the national banking system. He has shown no preference. He has treated the little banker and the big banker alike. He makes the big banker comply with the law the same as he does the little banker. He has no pets, no favors, and no desks in his office from some of the big bankers in New York, where they could obtain special information or privileges.

He may make some mistakes, but it will be no more than any human will do. I want to impress upon your mind one thing, and I am saying this without any hesitation, that Hon. John Skelton Williams has done more good for the banks and for the people than any comptroller we have ever had, and I, as a banker, knowing what he has done, feel that it is a disgrace to any newspaper or any magazine to publish an article against him without investigating the facts of it.

It will be a calamity to the country if the comptroller's office were to be abolished and leave it to the Federal reserve bank to look after. The Federal reserve bank should be under the supervision of the comptroller the same as any other bank, because they are doing the same kind of business that the bank does.

Abolishing the comptroller's office and putting the Federal reserve bank in charge will be the same as you selecting one bank in a town to supervise over his competitive banks.

It is an absolute joke for anyone to criticize and try to abolish the comptroller's office. Who ever attempts to write an article or speak on the subject, they ought to take a lesson in banking and find out. Then they will become convinced that it is a joke to discuss abolishing the comptroller's office.

Yours, truly,

I. H. NAKDIMEN, *President.*

CITY NATIONAL BANK,
Fort Smith, Ark., February 19, 1919.

UNION SERVICE Co.,
 816 Fifteenth Street NW., Washington, D. C.

GENTLEMEN: Your circular letter, no doubt sent to every bank in the United States, dated February 15, received.

Why do you take such an interest in the opposition of Hon. John Skelton Williams? Why do you take such an interest in trying to abolish the comptroller's office? What do you know about what the office is doing for the banks?

Why are you spending so much money? Who is paying you for it, or are you doing it for the good and benefit of the banks, or are you doing it because you are paid for it?

Do you know that you are making statements in your letter that are absolutely untrue, absolutely without any foundation whatever? Don't you know that everybody who reads your letter knows that you have a motive in it and you are not doing it for the good cause and everybody knows what that motive is?

Otherwise why should you issue these letters, pay for the paper, pay for the printing, pay for the envelopes, and pay for the stamps? Don't you know that we know it costs money to do this?

Why are you doing it? For a good cause? You are an awful good Samaritan, aren't you? Have you ever done anything before in behalf of the banks? If you have, what is it?

Being a banker for 18 years, having both State and national banks, I believe I am in a better position to know and to pass an opinion on the advantages and disadvantages of the comptroller's office, and I want to tell you for your own benefit that the comptroller's office and Hon. John Skelton Williams have done more to purify the national banking system under his management than there has been done in 30 years prior to his taking charge.

He is one man that the little banker admires and the big banker who is willing to be honest admires, because John Skelton Williams does not show any preference. Big or little, he treats them all alike. He makes them all comply with the law.

There are no favors or pets or no desks of the big bankers in his office to receive any special privileges like there has been in the past.

Tell your president, Mr. George H. Gall, that you are on the wrong track and you better get off and get off quick. You are on the wrong side and you better get on the right. I believe you could get right if you want to be fair to the bankers.

You go and see the comptroller and talk to him and get his side of the story and then compare it with the bunch who are supposed to be putting up the money for you to get out this letter and see who is right and who is wrong.

You tell them they can not get away with that kind of dope. They can not get away with playing the game unfair.

For your own good and for your own reputation you better get the real sentiment of the real bankers who are inclined to be fair and who are inclined to run a bank honestly. That banker is not in opposition to the comptroller's office or Hon. John Skelton Williams. The only banker who is against Hon. John Skelton Williams is the selfish one and the one who has been putting more in his own pocket than he is giving to the stockholders.

Yours, truly,

I. H. NAKDIMEN, *President.*

I also ask that there be inserted in the record the attached copy of a letter which I addressed to Chairman Platt of the Banking and Currency Committee of the House of Representatives on June 17, 1919, which is self-explanatory.

TREASURY DEPARTMENT,
Washington, June 17, 1919.

Hon. EDMUND PLATT,
*Chairman Banking and Currency Committee,
 House of Representatives, Washington, D. C.*

MY DEAR SIR: I have your letter of the 12th instant, advising me that you have received recently "a number of copies of the joint resolution from the Legislature of California with regard to banks in Riverside and Santa Rosa, in that State, where, according to the resolution, 'these failures have been

brought about by the inadequate examination of the national banks under the existing law," etc.

Your comment that this "must have been an exaggeration, for failures certainly can not be said to have been brought about in any case by inadequate examination, as all examinations can do is to serve warning, and when conditions are not too bad to prevent failures already impending" is, of course, absolutely correct.

The joint resolution of the Legislature of California to which you refer is an extraordinary document and seems either to have been passed carelessly as the result of a strange ignorance of facts and to have been based upon supposed conditions which do not exist, or else the legislature was deceived and misled by some enemy of the administration or of this office.

The Senate joint resolution bears date of March 20, 1919, and I quote it as follows:

"SENATE JOINT RESOLUTION NO. 11, BY SENATORS SLATER AND EVANS, RELATIVE TO MORE STRICT EXAMINATION OF NATIONAL BANKS BY THE FEDERAL GOVERNMENT.

"Whereas failures among national banks of the United States have been the cause of great suffering among innocent depositors and stockholders and in some cases have been brought about by the inadequate examination of national banks under the existing laws of the United States, as recently illustrated in the cities of Riverside and Santa Rosa, in the State of California; and

"Whereas it is apparent that more careful examination of national banks is required: Now, therefore, be it

"Resolved by the senate and assembly, jointly, That the Legislature of the State of California hereby memorializes Congress to provide for proper legislation for the more strict examination of national banks within the United States; and be it further

"Resolved, That our Senators and Representatives in Congress be, and they hereby are, requested to take such steps as may be necessary to institute such legislation; and be it further

"Resolved, That the secretary of the senate be, and he hereby is, directed to forward copies of these resolutions to the honorable Secretary of the Treasury, the President of the Senate of the United States, the Speaker of the House of Representatives, and each of California's Senators and Representatives in Congress."

The declaration in the resolution that "it is apparent that more careful examination of national banks is required" is not supported by the facts. On the contrary, the records indicate clearly that the examinations of national banks now made under this administration are the most careful, the most thorough, and the most efficient in the history of the national banking system. This is the first complaint, as far as I recall, that this office has received during the five years of my administration as comptroller suggesting that the examinations now being made were either not careful or not sufficiently rigid.

Because of the conspicuously high efficiency of the bank examinations made under supervision of this bureau some of the clearing-house associations about the country have decided to abolish the position of clearing-house examiners formerly maintained. It is also noteworthy that the very first clearing-house association to do away with the clearing-house examiner on this account was the Clearing House Association of San Francisco. Within the past few days a leading banker from another important city in the Central West called at this office and, commending in strong terms the efficiency of national-bank examinations as now conducted, incidentally mentioned that the clearing-house association of his city had also done away with its clearing-house examiner, because of the excellent work now done by national-bank examiners.

The thoroughness of national-bank examinations, and the policy of this office in enforcing the observance of law on the part of national banks are being clearly reflected in the increasing immunity from bank failures as shown by official records. The time of the greatest financial strain to which this country has ever been subjected has probably been the past two years and three months of President Wilson's second administration, which includes the entire period of our war with Germany—19 months, and 8 months of reconstruction and readjustment; and yet the records show that the national-bank failures per year for each 1,000 national banks in operation was sixteen times as great in

the 25 years prior to March, 1917, as during the past 27 months of war and reconstruction.

So much for the record of national banks throughout the country generally.

Now, as to the State of California. The records show that for more than 10 years past there has been only one national bank failure in California.

And in the past 24 years there have only been three national bank failures in California, to wit:

(1) The Orange Growers' National Bank, of Riverside, Calif., which failed in March, 1904, and paid its depositors 100 cents on the dollar on the principal of their deposits;

(2) The Oakland National Bank, which failed in April, 1900, and paid its depositors 100 cents on the dollar on principal, together with interest on deposits (except certain cases where interest was waived); and

(3) The Santa Rosa National Bank, of Santa Rosa, Calif., which failed in September last and which is still being liquidated. The cashier of this latter bank has already been sentenced to the penitentiary for deception and embezzlement.

(As to the circumstances under which the national-bank examiner found it necessary to require the closing of the Santa Rosa National Bank—at the time the Santa Rosa Savings Bank, under the same management, was closed—I invite your attention to the inclosed extracts from the report of the national-bank examiners relative to the methods by which the officers of the bank managed to hide their crookedness and conceal the true condition of the bank from examiners, both State and national.)

The Santa Rosa National Bank, which failed in California in September, 1918, was the only national bank in the entire United States to fail in the year 1918.

It is clear that despite the resolutions passed by the California Legislature declaring that the failures among national banks "have been the cause of great suffering among innocent depositors and stockholders," the records show that the three national banks which have failed in California in the past 24 years, two of them paid their depositors in full and the third, and last one, which failed in September last, is still in process of liquidation.

Now let us look at the showing of the banks under State supervision, as to which these resolutions are silent. As compared with the failure of only one national bank in California for more than 10 years past, or two in more than 15 years (one of which paid depositors in full), I direct your attention to the official figures which show in California since January 1, 1908, 10 failures of banking institutions other than national, including a savings bank, which failed in Santa Rosa at the time that the only national bank which has failed in California in over 10 years closed its doors.

The records further show that since the inauguration of the national banking system in 1863 there have been at least four times as many failures of banks other than national as there have been of national banks in California.

(About 40 per cent of the banking institutions in California at this time are national banks, the remainder State banks, trust companies, and private banks.)

It is not my purpose in making these comparisons to be understood as criticizing the methods of work of the banking department of California. As a matter of fact the work of that department is entitled to high commendation, for, although the proportion of failures of State banks in California has been high as compared with the failures of national banks, California's record compared with various other States is exceedingly favorable and reflects credit upon the supervising authorities. Furthermore, it is a pleasure to bear testimony to the cooperation and cordian relations existing between the State banking authorities of California and the bureau of the Comptroller of the Currency.

May I venture to add that the very day I received your letter of 12th instant, a former Member of Congress from the West, a Republican, called at this office to say that he had originally been opposed to me and had been critical of my methods and policies, but that he now desired to express strongly and unequivocally his commendation of the work of this office and of the results which are being obtained under its present administration. He commented upon the greatly reduced mortality among national banks, and the increased safety of depositors, and also upon the improved status which national-bank shares now have from the standpoint of collateral or as investment, and mentioned that the stock of one national bank in the West in which he was largely interested had doubled in value in the past few years. He generously declared that although he did not agree with me politically, he thought it only just to avow

his unqualified approval and commendation of the administration of the comptroller's office.

In conclusion, I think it may interest you to know, in connection with the growth and development of the national banking system, that from November 1, 1914, to June 1, 1919, this office has received 2,011 applications for new national-bank charters (including 293 State banks nationalizing), for extensions of charters and for permission to increase the capital of existing banks, while the total number of voluntary liquidations (exclusive of consolidations with other national banks) and applications for reduction of capital, have aggregated only 373 for the same period.

Faithfully, yours,

JOHN SKELTON WILLIAMS, *Comptroller*.

EXTRACT FROM THE REPORTS OF NATIONAL-BANK EXAMINERS TO THE COMPTROLLER OF THE CURRENCY RELATIVE TO THE FAILURE IN SEPTEMBER, 1918, OF THE SANTA ROSA NATIONAL BANK, SANTA ROSA, CALIF.

The successful concealment during a long period of the true condition of this bank can be directly ascribed to the fact that most of the officers and employees had knowledge, more or less complete, of the irregularities, and in their respective spheres aided in the concealment. They were participants in a systematic and effective conspiracy of remarkable completeness. * * *

This bank was strictly a "family" bank, with the complement of "dummy" directors, which usually are a part of the equipment of such banks. There appears never to have been, at least not within recent years, a director of independent strength on the board. * * * The cashier, Frank A. Brush, and other members of the Brush family, not only owned most of the stock, but constituted a majority of the directors and absolutely dominated the management under the immediate direction of the cashier. * * *

The method of covering the various defalcations is set forth in great detail by the examiner in his report. The concealment was had by removing sheets from the commercial individual ledgers and cards from the savings and individual ledgers the aggregate balances of which equaled the amount of the difference which it was desired to conceal. Between examinations all individual ledger sheets were kept in their proper places in the ledgers. When it was learned that an examiner had arrived the individual ledger sheets of the desired aggregate were hurriedly removed and locked in a safe-deposit box, where they remained during the examination. Trial balances run by the examiners, therefore, would agree with the general ledger controlling accounts.

To take care of checks deposited while the ledger sheets were out, four fictitious accounts were opened in which were deposited the aggregate of the checks received for credit in the missing accounts.

Summarizing the situation with reference to the failure of the Santa Rosa National Bank, it can be said that the failure was caused by the systematic and cleverly concealed series of defalcations over a period of years, which even an audit of the bank would probably have failed to disclose if the officers and clerks in the bank had had the opportunity in advance of removing the individual ledger sheets, as the total balances shown by the individual ledgers agree with the total shown by the general ledger, which is the controlling account of the bank. Unless, therefore, each individual account were audited and the deposit slips and checks carefully checked, there would be nothing to disclose a shortage in the deposit account. Even the matter of calling in the pass books of the various depositors would have failed to disclose the shortage, as the auditor would necessarily have called for only such pass books of individuals as were shown by the individual ledgers to have had accounts with the bank.

With reference to the forgeries where these forgeries were placed with correspondent bank, as was the practice in this bank, and where these notes were paid at maturity out of the bank's funds, there is no method by which the examiner could detect such forgeries.

In connection with this failure it should be borne in mind that the Union Savings Bank, a State institution subject to State examination, occupied the same office and had the same officers as the Santa Rosa National Bank. This institution was closed by the State authorities the same time that the national bank was closed. The method of concealment was identical in both cases according to Examiner Thompson's report.

As can be seen from the above, it was almost impossible for either the State or National examiner to discover the defalcations unless there should have been a break in the ranks of the conspirators.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, June 12, 1919.

The COMPTROLLER OF THE CURRENCY,
Treasury Department, Washington, D. C.

MY DEAR MR. WILLIAMS: I have yours of the 10th inclosing circular of June 9 with regard to the gratifying increase in the number of applications for new national-bank charters, etc. This certainly shows the general soundness and prosperity of banking, and I am frankly of the opinion that the efforts of yourself as comptroller, to hold the banks of the country more strictly to observance of the law, has had a salutary effect in keeping down the number of failures.

In view of the very small number of failures that have taken place within the past few years, I have been surprised to receive recently a number of copies of the joint resolution from the legislature of California with regard to banks in Riverside and Santa Rosa in that State, where, according to the resolution, these failures "have been brought about by the inadequate examination of the national banks under the existing law," etc.

Of course that must be an exaggeration, for failures certainly can not be said to have been brought about in any case by inadequate examination, as all examinations can do is to serve warning and when conditions are not too bad to prevent failures already impending.

I do not remember to have seen anything beyond a short newspaper item with regard to these California banks, and am entirely in the dark as to the reasons for the joint resolution referred to.

Very truly, yours,

EDMUND PLATT.

I request that the record include the attached copy of a letter which I addressed on June 27, 1919, to Mr. F. W. Hyde, secretary of the national bank section of the American Bankers' Association, and also a copy of Secretary Hyde's reply to my communication, dated July 1, 1919. These letters are self-explanatory.

TREASURY DEPARTMENT,
Washington, June 27, 1919.

F. W. HYDE, Esq.,
Secretary National Bank Section,
American Bankers' Association, New York, N. Y.

MY DEAR SIR: I appreciate your courtesy in forwarding to me a copy of certain resolutions which you advise me were passed at a meeting of the Mississippi Bankers' Association at Clarksdale last month in which the association expressed disapproval of the policy of this office in making public from time to time the figures as to national and State bank failures throughout the country.

It appears that the Mississippi resolutions related to a statement given out by this office on May 7, giving statistics in regard to national-bank and State-bank failures, which showed the failure of one national bank in the entire United States in the four months' period ending May 1, 1919, against 24 failures of banking institutions other than national from January 1 to April 1, 1919—an average of approximately two State-bank failures a week; and showing also that while there had been only two national-bank failures in the 15 months ending April 1, 1919, the returns indicated the failure of some 50 or 60 State banks and trust companies in the same period.

Perhaps I can best express the attitude of this office and my reason for the publication of those statistics by quoting the following extract from a letter which I recently addressed to a certain bank official in response to a somewhat similar criticism from him on that subject. I said:

"A Federal statute of many years standing requires the Comptroller of the Currency to report to Congress not only statistics and information of national banks but information regarding the conditions of banking institutions under State supervision so far as it is obtainable. I take the purpose of this to be to

provide Congress, the administration, and the public with a comprehensive view of the entire banking situation in the country. One object in bringing the facts concerning State banks into my occasional or periodical statements is to comply with the spirit and purpose of this law. It seems to me that if the public is to be informed of conditions in one section of the banking business it should know them in all.

"A further beneficent result, it is hoped, may be to spur State bank officials to more careful examinations and supervision. You and I know how strong and how injurious is the tendency to allow local political and social influences to cause laxity in State administration of banking affairs. My earnest ambition is to see both National and State supervision of banks and the consequent bank record of the United States as nearly 100 per cent perfect as human watchfulness and energy can make them.

"I ask you to believe that, so far from wishing to injure the State institutions in business, my desire is to stimulate them and those officially responsible for their conduct to emulation of the fine showing the national banks are making."

Permit me here to suggest there is no reason to believe that the criticisms offered by the "Mississippi Bankers' Association" reflect the attitude of the national banks in Mississippi—the banks under the supervision of this office—but perhaps they may express the not justified resentment of State banks whose supervision may have been less careful and whose immunity from trouble has been so distinctly less than that of the national banks of that State.

The figures show that in Mississippi the State banks largely outnumber the national banks, the latest report showing 288 State banks (large and small) and 33 national banks in operation at this time. The records also show that for more than 25 years past there has been no failure of a national bank in the State of Mississippi, but in the past 15 years there have been 34 failures of State banking institutions. In the past five years 20 State banks in Mississippi have failed. These figures are instructive in enabling us to give proper weight to resolutions passed by the Mississippi Bankers' Association, composed mostly of the State bankers.

I have just been advised that in the past few weeks resolutions critical of this office have also been passed by several "group" meetings of bankers in the State of Kentucky, and that attempts to put through similar resolutions were defeated by quite as many, if not more, of the "group" meetings in that State in the last two months. In determining how far such resolutions reflect the sentiment of banks with which this office has dealings or which are under its supervision, and how far they are inspired by State officials or by the jealousy of institutions making the less favorable showing, it is proper to call attention to the fact that in Kentucky as well as in Mississippi the State banks largely outnumber the national banks, the latest reports showing in that State 132 national banks and 444 banks other than national.

In Kentucky, as in Mississippi, the record of the national banks compared with the State banking institutions in the matter of failures is particularly favorable. In the past 15 years in Kentucky there have been only four failures of national banks—two of these subsequently reopened, one has already paid its depositors 100 per cent and interest in full, and the fourth has not yet been fully liquidated, but has paid its depositors more than 90 per cent of their claims. In these same 15 years, 27 State banking institutions failed and 20 of them failed within the last eight years, during which period only three national banks failed, of which one was reopened, one paid the depositors in full, and the other being still in liquidation. I am not informed as to whether any of the State banks which failed were ever subsequently reopened or what they may have paid their depositors.

This is a tremendously serious subject, especially at this vital crisis of our commercial life, with the entire world depending on the stability of our financial structure as a whole. I would feel that I was guilty of something like treason if in deference to the feelings or interests of anybody or any group of men, however estimable and well entitled to my good will, I handled the case timidly or delicately. The best results can be secured and safety most certainly assured by plain speaking, however rough it may seem or unpalatable it may be. This is no time for soft talk or smooth evasions. Here we have the definite, ugly fact that while national bank failures have reduced steadily and seem almost at the point of disappearance, State bank failures, in some States, have been increasing. In Kentucky there have been 21 State bank failures in the last 10 years against 6 in the preceding 5 years and in Mississippi about 10 per

cent of the State banks have failed in 10 years, 20 of them in the last 5 years against only 15 in the preceding 15 years.

We can not conceal from ourselves the certainty that there is something wrong somewhere, and there is no use trying to hide it. I do not believe the State bankers generally to be inferior in character or capacity to the National bankers, or that the State banks of Kentucky and Mississippi had in the last 10 and 5 years managements less competent than in the preceding 5 to 15 years, respectively, or that the bankers of those States are less honest or able than those of other States with like characters of population and products which make better showings. Therefore, the fault must be with the systems of State supervision and inspection. I see no way to avoid that unpleasant conclusion.

There being something wrong, evidently, and the whereabouts of the fault appearing to be clear, I see no way toward remedy but frank and friendly demonstration of the conditions as they are. The first step toward cure is diagnosis. The doctor who makes false diagnoses or hides the right one to avoid making enemies or ruffling sensibilities is guilty morally of murder. I would rather be the target for severe criticism, even from my friends, and incur many hostilities than to have on my conscience the sins of cowardice and neglect of duty.

I am very anxious to avoid hurting or offending anybody, but far more and desperately anxious to avoid possibility of having our financial machinery break or weaken anywhere in the time of heavy strain, just ahead of us, when we must supply the power for our own vast and fast increasing activities and development, and must do a gigantic part toward carrying all the nations to restoration.

As this exhibit for the national banks in Kentucky is so distinctly favorable, both positively and comparatively, it may throw some light upon the motives for the ill-advised criticism directed against this office by certain Kentucky banking officials and officers of State banks. It seems rather unfortunate that these State officials should be adopting the tactics to which some of them seem to be resorting.

I have just learned that at a recent convention of State supervisors of banking, held at Cleveland, Ohio, resolutions disapproving the administration of this office were adopted. A member of that conference tells me these resolutions were submitted toward the close of the convention by a committee, and were inspired or advocated by commissioners from States in which the proportion of State bank failures to national banks had been in the past conspicuously large, and that, through that committee's influence, the resolutions were perfunctorily passed.

Mr. G. G. Speer, State banking commissioner of Kentucky, seems to have taken an active part in this proceeding and delivered a speech on the subject, apparently authenticated extracts from which fill much of the space of one of the Banking Journals sent me. In view of the figures of State bank failures in Kentucky, whose banks are now under Mr. Speer's directing guidance, his interest in the matter and yearning to be rid of the Comptroller of the Currency may be explicable, though he will naturally disclaim responsibility for results prior to his recent incumbency. However, I have no special interest in the political studies of the supervisors of State banks or their opinions on Government administration, or on my conduct and policies. They do not question the accuracy of the figures, which appear to indicate that the supervision of national banks has been far more efficacious than that exercised in too many of the States.

It is also noted that Bank Superintendent Skinner, of New York joined Commissioner Speer, of Kentucky, in criticizing quite earnestly the publication of the comparative figures of national and State bank failures. His sensitiveness of this subject may be explained by reference to the official figures, which show during the past 20 years only 17 failures of national banks in New York State, as compared with 159 failures of banking institutions other than national in the same period in that State. In the past five years there were 33 failures of banks other than national and only 1 failure of a national bank in New York State, and that one bank was subsequently restored to solvency.

These figures are specially significant when we consider that the number of national banks and of banks other than national in New York are very nearly the same. In fact, in 5 of the past 11 years the national banks in New York equaled or outnumbered the State banks and trust companies. The

record shows that in New York State since 1900 there have been about ten times as many failures of banks other than national as there have been of national banks for each 100 operated banks. In the past 20 years the number of banks other than national in operation has averaged about 10 per cent more than the national banks, while the number of failures of banks other than national has been nearly ten times as great as of national banks.

The number of banks other than national which have failed in New York in the past 20 years, since 1899, 159, is equal to nearly 40 per cent of the 401 such banks in operation in 1899. The number of national banks which failed in the same time, 17, is equal to about 5 per cent of the 327 national banks in operation in 1899. The increase from 1899 to 1918 in the number of national banks in operation was 152, or 46 per cent; of banks other than national, 130, or 32 per cent.

As compared with an annual average mortality rate of 2 per cent among State banking institutions in New York State for the past 20 years, I ask your attention to the deeply gratifying fact that in the whole United States in 1918 the mortality rate among national banks was only one seventy-seventh of 1 per cent, or one hundred and fifty times better than the State bank average for the last 20 years.

It is quite significant that the States whose supervising authorities seem most disposed to criticize this office are those where the proportion of State bank failures has been greatest. The figures show conclusively that the opposition of State supervisors to the comptroller's office can not be based upon inefficiency or omission to achieve with signal success the results aimed at by the comptroller's office, but seems to be rather the result of irritation on their part that a comparison so exceedingly favorable to the national banks should be given to the public.

It is fair to add that Superintendent Skinner is quoted in the banker's publication referred to as frankly admitting to the convention that State banks in some States "have either been without adequate supervision or that such supervision is of a comparatively recent date."

The important point is that in some States the State supervision is splendidly efficient, as proved by results, and that in others it is lamentably inefficient, as proved by results. My purpose is not to quarrel with anybody, not to be disturbed, or even annoyed, by citizens who, for any reason, resent the methods of this office and clamor for my decapitation—it is to do my part toward inciting and encouraging all State governments to put their banks on equality with the soundest and safest in the States best administered and with the national banks. In my view the best way to bring State and national banking systems into harmonious and cordial cooperation is to have all deserve and receive an equal share of the public confidence, and I am unable to see how any other policy can tend to prevent jealousies or friction.

In conclusion allow me to quote further my own views on this subject as contained in a letter which I addressed to a United States Senator a few days ago:

"Neither I nor any part of this department has the slightest purpose to cause injury to the State institutions, and to the contrary, our earnest desire is to do what we can to help establish their usefulness to the public and value to their owners. Those who, by any means or for any purpose, would stir ill-feeling between the national and State banking institutions or arouse prejudice against or distrust of either do wrong to both and to the country.

"My own view is that all our efforts should be directed toward making and keeping them both strong and in cordial cooperation in the performance of the huge financial and business tasks are just ahead of us. The faster and more abundantly the country prospers the heavier these tasks will be. The more nearly we can make bank failures impossible, and therefore unfeared, the smoother and faster our progress toward true prosperity will be. Such failures anywhere and at any time cause more or less jarring in that progress, and our purpose should be to avoid a single jar or check, if it is possible."

Please pardon the length and special earnestness of this. My excuse is that I feel intensely on the subject and am most eager in trying to do my full part to make sure that when the wrench and strain come there shall be no defect or weak spot, and that the business and financial men of the country shall do their part in this huge upheaval as strongly and successfully as our fighting men did theirs. My firm conviction is that the surest way to make the splendid body of State banks solid and ready is to tighten the laws for their supervision and

the administration of the laws wherever the facts and figures show tightening to be needed.

Faithfully, yours,

JOHN SKELTON WILLIAMS.

NATIONAL BANK SECTION,
THE AMERICAN BANKERS' ASSOCIATION,
5 Nassau Street, New York, July 1, 1919.

HON. JOHN SKELTON WILLIAMS,
Comptroller of the Currency, Washington, D. C.

MY DEAR MR. WILLIAMS: I wish it were possible to convey the high value I place on the confidence and fidelity which you repose in me as evidenced by your personal letters of June 27 and 28, inclosing copy of your letter to Chairman Platt of the House Banking and Currency Committee as of June 17.

All three letters have been read with care, and it seems to me your arguments are unanswerable. May I not particularly applaud paragraphs which embody your spirit in the conduct of your high office, as follows:

"There being something wrong evidently and the whereabouts of the fault appearing to be clear, I see no way toward remedy but frank and friendly demonstrations of the conditions as they are. The first step toward cure is diagnosis. The doctor who makes false diagnoses, or hides the right one, to avoid making enemies or ruffling sensibilities is guilty, morally, of murder. I would rather be the target for severe criticism, even from my friends, and incur many hostilities than to have on my conscience the sins of cowardice and neglect of duty.

"I am very anxious to avoid hurting or offending anybody, but far more, and desperately, anxious to avoid possibility of having our financial machinery break or weaken anywhere in the time of heavy strain, just ahead of us, when we must supply the power for our own vast and fast increasing activities and development, and must do a gigantic part toward carrying all the nations to restoration.

"The important point is that in some States the State supervision is splendidly efficient, as proved by results, and that in others it is lamentably inefficient, as proved by results. My purpose is not to quarrel with anybody, not to be disturbed, or even annoyed, by citizens who for any reason resent the methods of this office and clamor for my decapitation—it is to do my part toward inciting and encouraging all State governments to put their banks on equality with the soundest and safest in the States best administered and with the national banks. In my view the best way to bring State and national banking systems into harmonious and cordial cooperation is to have all deserve and receive an equal share of the public confidence, and I am unable to see how any other policy can tend to prevent jealousies or friction."

It is a gratification to announce that the national bank section, American Bankers' Association, hopes in a few days to open a branch office in Washington, and the first one to whom I shall pay my respects after quarters are established is your esteemed self.

Please accept meanwhile all assurances of increasing regard.

Very truly, yours,

FRED. W. HYDE, *Secretary.*

I respectfully ask that the attached copy of my letter of September 19, 1919, to your committee be printed in this record as a part of this statement:

TREASURY DEPARTMENT,
Washington, September 19, 1919.

DEAR MR. CHAIRMAN: The record shows that at the meeting of your committee on the 11th instant you said:

"Mr. Williams, before you begin your statement, I would like to ask you if you could furnish the committee with a list of all the national banks that have gone into voluntary liquidation during your term of office and have reorganized under the State laws?" to which I replied: "Certainly."

I now beg leave to advise you that the list to which you referred has been compiled and shows that for the period you mentioned, from February 2, 1914, until September 15, 1919:

The number of national banks which went into liquidation for the purpose of organizing as State banks or trust companies was—	357
With aggregate capital of—	\$44, 482, 500
The number of State banks, private banks, or trust companies which were converted into national banks was—	417
With aggregate capital of—	\$46, 799, 500
There were, therefore, 60 more State banks converting into national banks than there were national banks converting into State banks and trust companies.	
In addition to this, the records show that the number of primary national-bank organizations, exclusive of State banks, converting into national banks during the same period, was—	531
With aggregate capital of—	\$32, 615, 000
Besides the 948 conversions of State banks and primary organizations there were in the same period 361 new charters granted to banks whose charters were expiring and decided to continue under national charters, thus making the total national charters issued for this period—	1, 309

In my letter to you of August 26, 1919, I said (p. 23) :

"In his same communication, under date of the 6th instant, Mr. Hogan distributed a copy of a letter which he says was addressed to the Comptroller of the Currency on July 10, 1916, by an official of a small State bank in North Dakota, in which that banker insinuates or charges that the Comptroller of the Currency is responsible for 'the numerous conversions of national banks into State banks now taking place throughout the country, which must result in a further weakening of the Federal reserve system.'"

It may possibly interest you to know that the State bank referred to by Mr. Hogan was the Bank of Valley City, Valley City, N. Dak., and that under date of August 19, 1919, that very bank made application to me for permission to convert into a national bank. Apparently, Mr. Early has changed his mind.

Mr. Hogan's letter in which he disseminated that three-year-old letter of Mr. J. J. Early, president of the Bank of Valley City, was dated August 6, 1919. Mr. Hogan's communication was given to me by one of the Senators on the mailing list from which Hogan was addressing reprints of maliciously untrue newspaper articles and letters in connection with the "propaganda" he has been conducting.

Under date of August 19, 1919, I received the following letter from the North Dakota banker referred to by Mr. Hogan:

BANK OF VALLEY CITY,
Valley City, N. Dak., August 19, 1919.

COMPTROLLER OF THE CURRENCY,
Washington, D. C.

DEAR SIR: Our directors have passed a resolution to convert this bank into a national bank, the title to be "The Valley City National Bank." Please make reservation of this title and forward to us the necessary blanks so that we may make formal application.

Very truly,

JAS. J. EARLY, *President.*

If you desire the full list of the names of the 357 national banks which have converted into State banks, and of the 417 State banks which have converted into national banks, and other new national banks chartered, 531, I shall be pleased to send it to you for insertion in the record.

The record shows that the movement toward the nationalization of State banks and trust companies is proceeding at an accelerated speed.

For the 10 months since January 1, 1919, there have been about seven times as many new charters granted for new national banks and applications for increase in the capital of existing banks approved as there were in the same period reductions of capital and liquidations (other than banks consolidating with other national banks).

Faithfully yours,

JOHN SKELTON WILLIAMS.

HON. GEORGE P. McLEAN,
United States Senate.

I trust that the foregoing pages may be a sufficient answer to the charge or suggestion upon which Mr. Hogan expatiated at much length before your committee to the effect that the bankers of the country by their "ominous silence" were expressing their disapproval of my administration as Comptroller of the Currency.

I shall now take up, dissect, and refute in detail other charges against my administration which Mr. Hogan imposed upon your committee at the time of his last appearance before you on September 5, and I shall show you that these charges, as have been all other charges made by this witness which reflects in any way upon the integrity and efficiency of my administration, were untrue, unfounded, and generally maliciously so.

In answering his complaints and misstatements of the 5th instant I am relying on my own recollection of what he said to your committee at that hearing at which I was present, supplemented by the typewritten report obtained from the official stenographer. I have delayed the submission of this final statement more than two weeks awaiting the receipt of the official report of the hearing, but as it has not been received up to this date I have decided not to hold back my statement further, but I am sending it to you, reserving the right to send in a supplementary statement if, after reading the record of Mr. Hogan's testimony of the 5th instant after he shall have revised it, as I am informed he is doing, a further reply shall seem to be necessary or desirable.

If by any chance I have overlooked any complaint or charge of any sort made by Mr. Hogan or any other witness before your committee which reflects upon the integrity and efficiency of my administration and may not specifically have denied it, I beg that you accept this as my denial thereof, and I respectfully ask your attention to the fact that the few adverse witnesses who have appeared before you have not and can not produce proofs of any such charge or complaint, for with the record established as it is their charges, complaints, or insinuations would be without foundation. If you desire cumulative or additional proof of the correctness of any statement made by me, I shall be happy to furnish it upon notification.

CHARACTER OF OPPOSITION TO COMPTROLLER.

I respectfully ask, Mr. Chairman and gentlemen, that when you have read the letters printed above and which represent only a few of the many I have received from every section of the country that you contrast the names of those writers with the pitifully few and discredited witnesses who have consumed the time of your committee with their voluble statements and attacks upon my office which were not only maliciously untrue, but without the least foundation or justification as the record abundantly proves.

On the one side you have, first, the local bank official whose discreditable practices and operations it has been my duty to bring to your attention in the course of these hearings. That official, Wade H. Cooper, is a member of the group or coterie of so-called "bankers" whose disreputable operations have already resulted in the indictment of one of its members, N. P. Jenrette (a first cousin

of this bank official), in connection with the disappearance of some \$35,000 of notes, and in the issuance of an order by a Chicago court for the arrest of another member of the same group, Lawrence J. Cooper, of Waycross, Ga. (a brother of this local bank official), for "conducting a confidence game" and fraud, and also his indictment by a Georgia court for causing the "fraudulent insolvency" of a State bank in Georgia with which he was connected. A succession of six or more bank failures in the South mark the trail of members of that group. See page 734 of these hearings for partial list.

The other witness who has taken up most of the time of your committee is an attorney for the Riggs Bank. I have proved to you that his testimony has been a repetition of untrue statements, wantonly false. I do not doubt but that you have observed how he has evinced his malice in his every utterance, gesture, tone, and expression. He has given you many illustrations of his reckless disregard of truth, but I shall only remind you here of his attempt to deceive your committee on the 5th instant by telling you, in response to questions by you as to "dummy" loans, that the \$26,000 loan referred to, made by the bank through a dummy to its former cashier, H. H. Flather, was made in that manner because Mr. Flather had to leave Washington to be with his wife during her last illness in the Adirondacks.

To use Mr. Hogan's own precise language in referring to this subject and Mr. Flather, he says:

He had a relative named Nevius here. He had Mr. Nevius—Mr. Flather took up his note, turned over his collateral to Mr. Nevius, and had Mr. Nevius make a note based altogether on Mr. Flather's collateral. It was splendidly margined—the loan splendidly collateralized, with plenty of margin, so if any question might come up in his absence it could be handled by Mr. Nevius, and Mr. Nevius could do anything he wanted, but the bank loaned the money on the face of the collateral which belonged to Mr. Flather. That's another thing that characterizes a "dummy" loan.

Now, gentlemen, that loan which Mr. Hogan has described with such particularity was made August 22, 1911, and remained in the Riggs Bank for about three years, until the summer of 1914, when during an examination by this office it was taken out by Flather. (See page 594, February hearings.) Inquiry at the department of health showed, however, that Mrs. Flather had died on July 20, 1907, more than four years before the loan was made! The record shows that besides the "dummy" loans, H. H. Flather had been borrowing continuously in his own name large sums of money from the bank for more than 10 years prior to 1914. (P. 598, February hearings.) Mr. Hogan's story and attempted excuse is thus proven to have been simply a reckless and disgraceful invention.

CHARACTER OF MEN COMMENDING COMPTROLLER'S ADMINISTRATION.

It will be noted that those who so strongly commend my administration of the office of the Comptroller of the Currency are men of the very highest standing in the banking and business world. They include the Secretary of the Treasury, Members of Congress, governors of States, mayors of cities, United States district attorneys, both directors general of railroads, commissioners of banking, also

of railroads, the members of the Federal advisory council of the reserve banks, directors of Federal reserve banks, former presidents of the American Bankers' Association, and the chief executives of the leading and largest banks in such representative cities as Baltimore, St. Louis, Kansas City, and San Francisco, as well as presidents of the smaller banks.

These letters have all come to me voluntarily and unsolicited.

The complete falsity of the statement made by Mr. Hogan before your committee on July 9 that every point of contention before the court had been decided in favor of the Riggs Bank has been completely established by this record, as especially set forth in my letter to your committee of August 12. On September 5 Mr. Hogan sought further to mislead your committee by his declaration that—

Neither Judge McCoy nor anyone else ever entered an interlocutory decree in that case; there was no interlocutory decree; there is no record of any interlocutory decree.

The records of the court contain the decision rendered by Justice McCoy on May 21, 1915, which has been referred to in these hearings as the "interlocutory decision," and it was in that decision that the court said, in most emphatic and unequivocal language, that "* * * I do not see how anybody can fail reasonably to reach that conclusion" (that if there was a manifestation of malice, it was on the part of the Riggs Bank), "and that if there was bad blood—I do not know as to that—if there is anything between the parties, there is nothing here to show that the two defendants" (the Secretary of the Treasury and the Comptroller of the Currency) "were the aggressors in the matter."

A year later, on May 31, 1916, the court handed down its final decision, which has been printed in this record and which was overwhelmingly against the bank. In that final decision the court again emphasized the fact that—

The affidavits submitted by the defendants on the motion for preliminary relief completely met and overcame the charges of malice and bad faith on the part of the Secretary of the Treasury and the Comptroller of the Currency.
* * *

Mr. Hogan's glib readiness in denying established facts does not change them.

In his testimony in this connection there is additional evidence of his malice and his unscrupulous disregard of truth.

In discussing this subject on pages 648 and 649 of these hearings, Mr. Untermyer says:

In my judgment Mr. Hogan wholly misapprehends the scope of the proceeding before Judge McCoy and the basis of his decision. There were days of argument before Judge McCoy upon the facts, and his decision was a complete vindication and victory for the Treasury officials, so far as concerned the charges made against them for conspiracy and wrongdoing. * * *

Mr. Hogan was also, I think, inaccurate in his statement that the preliminary application was not decided by Judge McCoy for more than one year after it was submitted. In point of fact, in its essential features, it was decided at the close of the argument in an oral opinion, which was later supplemented by the lengthy opinion that is in the record. The conspiracy charge was exploited and answered at great length upon the argument and in the lengthy affidavits and exhibits that were submitted, and the judge then held that the action of the Treasury officials was not malicious or the result of a conspiracy, as had been charged; that the malice, if any, was rather the other way; and that the officials would have been derelict in their duty if they had done otherwise than they did.

Mr. Hogan has bitterly criticized my action in requiring the Riggs National Bank to inform me as to loans the bank had made through a certain period of years to Secretaries of the Treasury, Assistant Secretaries of the Treasury, Comptrollers of the Currency, national bank examiners, and to members of the families of those officers. He then charges me with inconsistency, claiming that two banking firms in which certain of my brothers are interested had loans with a national bank in the District and with a trust company in this city, although he adds, "I have no doubt they are properly collateraled."

Let me state that since I came to Washington more than six years ago to accept the office of First Assistant Secretary of the Treasury, neither I nor any member of my immediate family, my wife or my children, have ever borrowed one dollar from any national bank in the city of Washington or elsewhere. Furthermore, I will state that, although I think it will be conceded that it would have been perfectly proper for me if I had had occasion to do so to make properly secured loans with State banks or trust companies, not members of the Federal reserve system, yet I have been so scrupulously careful that I have never at any time since I became officially connected with the Government borrowed a dollar from any State bank or trust company in Washington or anywhere else.

It is true that the old established banking firms in which some of my brothers are partners, to which Mr. Hogan refers, have had deposit accounts and business relations with many banks, including among others the two institutions in Washington to which he has referred. On pages 255-257 of these hearings, are proofs that their loans were not only abundantly secured, but that they had a particularly wide margin.

In view of the slighting manner in which Mr. Hogan has referred to the banking firm in Richmond, Va., of which I had at one time the honor of being a member, I will take advantage of this opportunity to state that its history shows that that banking house, for constructive and useful work and honorable dealing has a record for which its members may be justly proud. It was certainly not pecuniary gain that I came to Washington to perform public service and gave up membership in a banking house whose net profits, as I recall, for one 5-year period, some little time preceding my retirement from it, had averaged each year for that period about 100 times as much as my annual salary as Assistant Secretary of the Treasury, and I believe largely exceeded the net earnings of any national bank or State bank or trust company in the entire South.

As to the propriety of the inquiry which I made of the Riggs National Bank as to the loans which it had been making to Treasury officials under whose supervision the bank was operating and to examiners by whom it was being examined, that has been passed upon by the Supreme Court of the District in its decision rendered May 31, 1916. On this point the court said:

There was a demand for information in regard to loans made by the plaintiff, directly or indirectly to Secretaries of the Treasury and Assistant Secretaries of the Treasury of the United States, to Comptrollers of the Currency, to national bank examiners, and to employees of the comptroller's office. The demand certainly can not be considered an improper one, especially if any officers of the bank have been officers since its organization, to which time reference is made in the demand, and the facts in that regard should be fully stated.

The sworn replies of the Riggs National Bank to my interrogatories on this subject disclosed the fact that the bank had been making loans continuously to Treasury officials who had directly or indirectly been charged with the supervision of national banks, including a former Comptroller of the Currency (to whom loans were made during the greater part of his incumbency as comptroller) and to the national bank examiners themselves; that in the 10-year period prior to my appointment as comptroller, of the 11 Assistant Secretaries of the Treasury who had supervision of fiscal bureaus, including the office of Comptroller of the Currency, 8 had been borrowers at one time or another from the Riggs Bank, and 5 of them had been borrowing money from the bank during the period that they were actively in office. The committee may form their own conclusions as to the tendency and propriety of such transactions.

In regard to loans made by the bank to its own officers and their families, if Mr. Hogan is unable to distinguish the difference between a national bank making "dummy" or other loans to its president, its vice president, and its cashier and to the wives and children of these officers (the Riggs Bank had been lending to its president and to the son of its president and to the wife of its president, to its vice presidents and their children, as well as to other members of their families, in some cases for very large sums) and a loan made by a national bank to a business house, some of the partners of which may be brothers of the Comptroller of the Currency, but in which firm the Comptroller of the Currency has never had, since he has been comptroller, any financial interest, it will be hopeless to attempt to instruct him.

In his statement before your committee on September 5 Mr. Hogan said:

The biggest Government deposits, eliminating the war deposits, that national banks have had here are the Isthmian Canal Commission and the Philippine accounts, which were kept in 1914, 1915, 1916, and, as far as I know, now are kept in the Commercial National Bank, but which were not put into the calculation as Government accounts, although they are absolutely Government accounts to such an extent that the law provides that reserves need not be kept against Panama Canal accounts any more than any other Government funds. Here is what the record shows: In December, 1916, it shows that the Commercial National Bank had in these Government deposits, including Panama Canal and other Government deposits, \$2,080,000. All the other 13 national banks in the District had \$1,085,000. The average of the 13 national banks of the District was \$83,400 Government deposits against the Commercial Bank of \$2,080,000, and at that time the Commercial Bank's resources were \$10,220,000 and the other national banks' resources were \$61,090,000, so that the other banks—the total of the Government deposits in the other 13 banks in this city was 1½ per cent of their resources, whereas the Government deposits in the Commercial National Bank at that time were 20 per cent of its resources. That's what statistics show.

In making these statements, gentlemen, Mr. Hogan has again attempted to deceive and mislead your committee. The official records prove the falsity of his statements and figures. The Treasury record shows that the 13 other national banks of Washington held of public deposits on December 27, 1916 (the date of the December, 1916, call) \$1,462,000, including Panama Canal and call Government deposits, not \$1,085,000 as stated by Mr. Hogan. On the same date the total amount of Government deposits held by the Commercial National Bank at Washington was \$783,000, which is quite different from the

figures mentioned by Mr. Hogan—\$2,080,000. In addition to the \$783,000 held by the Commercial National Bank at its main office in Washington, the Commercial National Bank also had on the date named on deposit in its two branches in Panama the sum of \$832,000. These deposits in the branches in Panama were in no way competitive deposits which could have been divided with other Washington banks, as they were needed for business on the Isthmus and for meeting the pay rolls of the Isthmian Canal Commission and the Panama Railroad, employing at that time more than 25,000 men; but even if we should include the canal funds carried with the Panama branches with the deposits of the home office, the total amount would only aggregate \$1,615,000.

Mr. Hogan's statement that the total of the Government deposits in the other 13 national banks in this city were "1½ per cent" of the resources, whereas the Government deposits in the Commercial National Bank at that time were "20 per cent" of its resources, is simply false, characteristic of Mr. Hogan's whole testimony.

Omitting the deposits with the Panama branches which were in no way competitive with the Washington banks, the percentages of Government deposits of all kinds with the Commercial National Bank amount to 7.7 per cent of its resources. Another large national bank in the district at that same time held Government deposits amounting to 6.9 per cent of its resources, while the deposits of a third national bank in the district at that time amounted to 8.5 per cent of its resources, a larger percentage than the Commercial in Washington. If we should include the deposits of the Panama branch, which it would be unfair to do in view of the fact that no other local bank could have participated in any event in those deposits, the proportion of Government deposits in Washington and Panama combined to the Commercial Bank's total resources would be 12.9 per cent. The record shows that Mr. Hogan's figures as to the deficiency in reserve of the Commercial National Bank was also false.

It may not be out of place to mention in this connection that the foreign banking corporation to which the Commercial National Bank sold its Panama branches (since 1916) now has in its Panama branches Government deposits very largely in excess of \$2,000,000, or more than twice as much as were carried by the Commercial's Panama branches at the time to which Mr. Hogan refers.

When before this honorable committee on September 5 Mr. Hogan again attempted to explain the accounts referred to in these hearings as the "Glover & Flather" and "Flather & Flather" accounts as being accounts to which commissions on the bank's irregular purchases and sales of bonds and stocks, and brokerages arising from real estate transactions, were credited, Mr. Hogan said:

Those were simply, so far as the Riggs Bank was concerned, depositary accounts that might have been with Jones & Smith or, if I may borrow the name, with Mr. T. H. Newberry or anyone else. It simply, as far as the bank was concerned—the money deposited by Glover & Flather or Flather & Flather, and it was where the officers kept in the bank the commissions that were ultimately turned over to the bank by the officers. That's all they were.

So much for Mr. Hogan's explanation of that account on September 5, 1919, and I ask your attention to President C. C. Glover's explanation of these same accounts as given to the national-bank examiner when Mr. Glover was testifying under oath on January 6, 1915.

Examiner Smith asking Mr. Glover in regard to these Glover & Flather and Flather & Flather accounts said:

As a matter of fact, was it not always understood between you and the directors of the bank that all the profits arising from these transactions placed in these accounts were in reality funds of the bank and that they would ultimately be transferred to a profit-and-loss or some similar account in the bank?

To which Mr. Glover replied: "Absolutely no." Mr. Glover then added:

Many of the directors had no knowledge whatever of the character of this account at all.

As an example of Mr. Glover's contradictory statements I ask now your attention to the following extract from a letter which he, jointly with Messrs. W. J. and H. H. Flather addressed to the directors of the Riggs National Bank on June 18, 1914. In referring to his explanation of the Glover & Flather and Flather & Flather accounts, Mr. Glover, in that letter, said to his directors:

These facts are each and all doubtless perfectly well known to you. * * *

On page 306 of these hearings Mr. Jesse Adkins, former Assistant United States Attorney General, who was of counsel in the Riggs equity case, explained briefly and in the following language the character of the Glover & Flather and Flather & Flather accounts:

It was brought about by transactions which, at the time it was organized, were declared illegal or ultra vires as to a national bank. They were transactions which a national bank, as a national bank, could not legally do. Let me give you the history of that account. The accounts were carried on in all sorts of ways for a period of 18 years. The money always got back to the bank. These officers said: "If you ask us, we say we have a legal right to the money, but we say we do not propose to take it. The bank is going to get it;" and the bank always did get it. They were in a quandary there. If they said that the money was the money of the bank, then it meant that the bank throughout its existence had been violating the law, and they admitted that it violated the law. If they said that it was their money, the money of Flather & Flather, and they proposed to keep it, then they had this situation: They made far more than \$50,000. Here was money that was made by the officers of the bank in banking hours by the use of the bank funds, bank books, and bank clerks without a dollar of expense to themselves. There was on hand at that time about \$50,000.

If they said, "This is ours and we are going to keep it ourselves," that was not a very nice position to take.

Senator GRONNA. Do you mean to say that it used the bank's funds in that way?

Mr. ADKINS. They would use the bank's credit in buying stocks that they bought.

Senator GRONNA. But you just stated that they were using the bank's funds.

Mr. ADKINS. Yes, sir; they were using the bank's funds; and if they did not have enough money to the credit—

Mr. CHAIRMAN. Are you quoting now from the affidavit?

Mr. ADKINS. Yes, sir; I am telling you the substance of the affidavits.

As former Examiner Reeves has been so frequently quoted by Mr. Hogan in justification of the irregular Glover & Flather and Flather & Flather accounts and the brokerage business transacted through those accounts, I think it proper to include the following statement, taken from the regular report of that bank examiner, Owen T. Reeves, date, May 31, 1910:

As many times stated by this examiner, the system of keeping the books and accounts, especially the method of handling the collateral loans, is old-

fashioned and sloppy. For a large and flourishing bank it lacks all the features of system employed in well-managed city banks. As previously reported, the officers of this bank do a commission and brokerage business. President Glover and Vice President Flather are members of the local stock exchange. Commissions received on purchase or sale of securities for customers is deposited to account "C. C. Glover & W. J. Flather," which at this time shows credit balance of \$87.68. Commissions obtained through the placing and collection of real-estate loans is credited deposit account "W. J. & H. H. Flather," which at this time shows credit balance of \$663.17. At intervals these officials make the bank a present of these earnings, or invest it by purchasing real-estate notes. I have reported this practice in reports of my examinations more as a matter of record as I have been told the matter was taken up and thrashed out with the comptroller several years before I arrived on the scene, and criticism in this regard ceased.

This extract from the report of Examiner Reeves, who has been so frequently appealed to by the Riggs attorney, brings out two special points: First, that the funds accumulated in these two accounts were used for "purchasing real estate notes," which the bank itself could not legally invest in, and, second, the examiner refers to the method in vogue as merely one in which he had acquiesced after having "been told" that it had been thrashed out with the comptroller several years before he arrived on the scene and that thereafter, as to these irregular transactions, in the language of Examiner Reeves, "criticism in this regard ceased."

In the following report, November 28, 1910, by the same examiner, Owen T. Reeves, the examiner made this statement as to these transactions:

A commission and brokerage business is carried on by President Glover and Vice President Flather, who are members of the local stock exchange, and commissions are credited to deposit account "G. C. Glover and W. J. Flather." Commissions received through the placing and collection of real estate loans is credited to deposit account "W. J. and H. H. Flather." At intervals the balances in both the accounts are wiped out by investments in real estate notes, which, I understand, are regarded as property of the bank not shown by the books (previously reported).

Mr. Hogan took pains to enlarge upon the fact that President Lincoln at one time kept an account with the old banking firm of Riggs & Co., but he omitted to state that that was before any of the present officers were connected with the bank, and is it not fair to assume that if the martyred President should have been alive in 1915 he would have been moved by the same considerations which impelled Justice McCoy, of the Supreme Court, to declare in his opinion:

It seems to me, on the record that is here before me now, that the Government officials would have been remiss if they had consented to permit the (Riggs) bank to act as agent for a new applicant bank, because * * * there is evidence here of persistent violations of the law, and that they began not with Mr. Williams's incumbency of the office, * * * but they began before he came there, and there is evidence that they are continuing until this day.

Mr. Hogan, taking as his text an obvious typographical error made on page 687 of these hearings, consumes five typewritten pages of the stenographic report in a malicious and wholly unwarranted attack. I ask permission to insert into this record here the following extract from my letter of September 15 to the chairman of this committee explaining fully and completely the incident which Mr. Hogan so distorts and misstates. In that letter I said:

I respectfully call your attention to the fact that this printer's proof which I have now corrected is the first that I have corrected during the entire hearings.

There have been a number of inaccuracies in the printed reports which have been furnished me, but I understood from the secretary of the committee, Mr. Sault, in July, that only a very limited number of the reports in detached parts were being printed and that there might be an opportunity to make corrections before the testimony should be put together in permanent form, and I have assumed that I would have opportunity to call attention to obvious typographical or stenographic errors and omissions before this was done. Some of the errors have been so patent that I did not think it worth while to take up the time of the committee by calling their attention to it; but, as Mr. Hogan has seen fit to seize upon a mistake of the stenographer to indulge in a bitter criticism which was utterly unwarranted by the facts, I now ask formally if I shall have the privilege of having the testimony, so far as given by myself, corrected where mistakes have been made by the stenographer or printer?

In his testimony before your committee on the 4th instant, Mr. Hogan claimed that the stenographer had made certain mistakes, and in that connection said:

"Mr. Chairman, may I first say that evidently, through one of those stenographic mistakes which all reporters, even the best, make, the word 'my' seems to be used, according to Mr. Williams's quotation from the proceedings here day before yesterday. I did not ask that these documents be submitted to me for my use. The word I used was—submit the documents to the committee for 'its' use."

But he undertook later on to make another mistake of the stenographer the basis, as I have stated, of malicious criticism of me.

On page 686 of the hearings, after presenting testimony given by Henry H. Flather, cashier of the bank, before National Bank Examiner Smith in regard to the \$26,400 "dummy" loan which Flather was carrying in the name of B. L. Nevius, jr., under date of August 22, 1911, I said:

"I will say that Mr. H. H. Flather, in addition to those indirect loans, was borrowing large sums consistently, steadily, right along from the bank on various highly speculative securities. He was cashier of the bank meanwhile, and had a private wire right at his desk connecting with the stock brokerage offices."

Senator GRONNA asked: "What was that collateral?"

I replied: "That has been referred to, I think, once or twice. I think it was, Mr. Chairman, Mr. H. H. Flather's loan, where five or six stocks were read out, some of them selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18. But they were very speculative stocks. I think I recall among them Rock Island preferred and common, Missouri Pacific, and other things. I think the record shows the list."

Senator Gronna asked: "Were they put up at par or put up at their actual value?"

The record, as it stands, reads thus:

"Mr. WILLIAMS. The stocks that sold at 1 were put up at par."

That record, Mr. Chairman, is an obvious and patent mistake of the stenographer, and I am not willing to believe that Mr. Hogan himself, when he garbled and criticized it as he did, believed that I had been correctly quoted by the stenographer. If he did, he has less intelligence than I supposed. Senator Gronna's commendable purpose in asking his question was, I of course assume, to make the record perfectly clear on that point, so that no one could pretend to suppose that I had suggested that any bank in the United States was loaning at par, or at 100 cents on the dollar, on a stock that was selling at 1 cent on the dollar. To make such a loan is something that would only be done by an insane person, for any banker with normal intelligence, even though he should have criminal instincts, would forbear to make such transactions which would subject him not only to the severest censure and liability, but would raise a question as to his sanity. The par value of the 950 shares of Rock Island, Missouri Pacific, St. Louis & San Francisco, and Inter-Continental Rubber stock on Cashier Flather's loan was \$95,000; their market value only \$5,525. At this point I direct your attention to my letter addressed to the president of the Riggs Bank on July 22, 1914, in which I pointed out that the bonds and stocks on Cashier Flather's loan were barely sufficient to cover the loan, leaving practically no margin whatsoever to protect the bank. I said in that letter:

In speaking of the loans made to the cashier of your bank, aggregating \$63,500, you declare that these loans "were secured by high-class, marketable local and out-of-town stocks and bonds, having a market value of \$70,000,"

although at to-day's prices they barely cover the loan. Among the "high-class, marketable local and out-of-town stock and bonds," I note the following:

200 shares St. Louis & San Francisco preferred stock	4
100 shares Rock Island Railroad preferred stock	1½
100 shares Rock Island Railroad common stock	1
200 shares Missouri Pacific Railroad stock	9½
200 shares Inspiration Consolidated Copper stock	18
350 shares Inter-Continental Rubber stock	7½

A banker would lend \$10,000 without collateral rather than make a loan for \$10,000 on 100 shares of stock with a par value of 100 which might be selling at 1 and worth only \$100.

In the printed testimony the seventh line from the top of page 687 of the hearings reads thus:

"Mr. WILLIAMS. I have no doubt they were."

The word "doubt" is incorrect; the word that I evidently used was "idea"—the stenographic symbols being somewhat alike—and the sentence should read:

"I have no idea they were."

The next sentence in the same line of the stenographic report reads thus: "They were lending on stocks of a highly speculative character at par." The word "par" is incorrect. I never made that statement. The line should have been:

"They were lending on stocks of a highly speculative character in part."

The line that follows:

"Some of them were good. I do not know how the loans run for a period of years; how far they were adequately margined. It was with a view to getting this information, as to how much the bank had been lending to its officers on inadequate margins, that I asked for this report."

My statement from which I quoted above was made before the committee on July 28, 1919. At the meeting of the committee on July 10, 1919, the witness, Hogan, had read into the record the following statements:

"The loans of Henry H. Flather, the cashier of this bank, on May 18, 1914, aggregated \$63,500, and were secured by high-class, marketable local and out-of-town stocks and bonds having a market value of \$70,000, as follows:

"One hundred shares Security Storage stock; 65 shares Southern Railway preferred stock; 12 shares Norfolk & Washington Steamboat Co. stock; 150 shares Washington Railway & Electric preferred stock; 200 shares Inspiration Consolidated Copper stock; \$20,000 Wabash first and extended 4's; 350 shares Intercontinental Rubber stock; 200 shares Missouri Pacific Railroad stock; 50 shares People's Gaslight Co. of Chicago stock; 10 shares American Car & Foundry preferred stock; 100 shares Rock Island preferred stock; 100 shares Rock Island Railroad common stock; 200 shares St. Louis & San Francisco preferred stock."

In my statement above quoted in answer to Senator Gronna's inquiry, "What was that collateral?" I had subsequently referred to the record which stated the collateral. I had said to the committee:

"That has been referred to once or twice," and the record contained the full list of the collateral, and I added:

"I think it was, Mr. Chairman, Mr. H. H. Flather's loan, where five or six stocks were read out, some of them selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18. But they were very speculative stocks. I think I recall among them Rock Island preferred and common, Missouri Pacific, and other things. I think the record shows the list."

There was another direct reference to the record which gave the full list and to which the committee could readily refer, although I did not have before me at the time that list, and was speaking from recollection, but my recollection is shown by the record itself to have been correct. Of the Rock Island preferred stock at the time of the last examination before the controversy, May, 1914, there was on the loan 100 shares. Among other securities on H. H. Flather's loan were 100 shares of Rock Island common; and 200 shares of Missouri Pacific, just as I stated to your committee, and these securities were almost valueless and had shriveled up in a comparatively brief period, thus proving their highly speculative character. Mr. Hogan, in quoting me in referring to these stocks, had deliberately garbled my statement and he had suppressed the market prices of the five stocks, although pretending to give your committee a correct quotation from my letter, page 73 of the hearings.

My purpose in calling this to the attention of the committee on July 28, was to give the real market value of the stocks which Mr. Hogan had evidently been ashamed to print and to direct your attention to his unfair suppression. I had stated quite correctly that some of the stocks on Cashier Flather's loan were "selling as low as 1 cent on the dollar, others at 1½ cents on the dollar, others at 9 cents on the dollar, and others as high as 18."

Mr. Hogan falsely charges that, in giving the quotation of "18" for one of the stocks, which it appears was a copper mining stock, I had endeavored to convey the impression that that was a stock with a par value of 100 selling at 18. As a matter of fact I had no idea what the par value of that mining stock was or is, having never bought, sold, or owned a share of it, or made inquiry on that point in regard to it. My statement that the collateral included this mining stock at a marked price of "18" was wholly correct and gave no ground for honest criticism.

Mr. Hogan prints in the record a copy of the Riggs Bank letter to the comptroller of February 1, 1915. I ask permission to enter in the record Deputy Comptroller Kane's reply of February 11, 1915, to the Riggs Bank, as follows:

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY,
Washington, February 11, 1915.

The RIGGS NATIONAL BANK,
Washington, D. C.

SIRS: On the 22d ultimo this office requested you to prepare and furnish within 10 days, under the penalties provided in sections 5211 and 5213, Revised Statutes, a statement or report showing:

"First. All direct loans made by the Riggs National Bank since its organization, either severally or jointly, to Charles C. Glover, W. J. Flather, M. E. Ailes, H. H. Flather, Joshua Evans, jr., or any of them, and to members of the respective families of the above-named, giving a full description of the notes and the collateral, if any, by which said loans were secured.

"Second. All indirect or 'dummy' or concealed loans made by the Riggs National Bank since its organization for the benefit (directly or indirectly) of the individuals named above, or any of them, including all loans which C. C. Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr., or any of them, indorsed or for which they furnished the whole or any portion of the collateral by which loans to others were secured, and including all loans made in the name or names of others, the whole or a portion of the proceeds of which were turned over to the said Glover, Ailes, W. J. Flather, H. H. Flather, Joshua Evans, jr., or any of them; giving a full description of all notes and of the collateral, if any, by which they were secured; also showing what portions of the proceeds of said notes were received by or credited, respectively, to the said Glover, W. J. Flather, H. H. Flather, M. E. Ailes, or Joshua Evans, jr.; and also showing clearly the ownership at the time of the making of the said loans of the collateral securing them, in each case."

This office has received a letter from you dated February 1, 1915, in which you claim that the loans heretofore made to its officers by the Riggs National Bank have now been paid, and that the only loan to any member of the respective families of the officers named is a certain loan to the wife of your cashier.

You also say:

"Replying to your second request, we beg to say that this bank has never made any 'dummy' or 'concealed' loans to any of the officers named, * * *.

This office has information which indicates to the contrary.

You say, referring to letter from the comptroller's office of the 22d ultimo:

"As the statement which you request would require an examination of all the books of this bank during the 18 years of its existence, thus entailing serious loss of time and diverting the attention of our officers and employees from our current business, and as it could not, except as to the loan to Mrs. Emma A. Flather, a full report of which we have given you above, possibly add anything to your full and complete knowledge of the condition of this bank, for which purpose only section 5211 authorizes you to call for a special report, we decline to furnish it."

It is with regret, although not with surprise, that the comptroller notes your official admission that the preparation of a statement showing the borrowings

from the Riggs National Bank of its own officers—its president, its two vice presidents, its cashier, and its assistant cashier—would be a task of such large dimensions as would “entail serious loss of time and diverting the attention of our” (your) “officers and employees from our” (your) “current business.”

The comptroller desires me to notify you that for your refusal to furnish to this office the report called for in the letter from the Comptroller of the Currency of the 22d ultimo you are liable for a continuing penalty of \$100 per day, as set forth in the letter of the 22d ultimo, above referred to, in accordance with sections 5211 and 5213 of the Revised Statutes.

Respectfully,

T. P. KANE, *Acting Comptroller.*

To illustrate the unusual and excessive extent to which the officers of the Riggs National Bank were borrowing for their private purposes the funds of the bank it is interesting to note that such loans in that bank at the time of the examination made by Examiner Hann in May, 1913 (the same report which has been so commended by Mr. Hogan) amounted to more than the aggregate of all loans made to all their officers by all the national banks in either the cities of Chicago or St. Louis, as shown by the official reports of June last. They also amounted to more than the aggregate of all loans made by all the national banks to their own officers at the time of the June call in any of the following cities: Minneapolis, St. Paul, Buffalo, Louisville, Portland, Seattle, or Detroit.

In the letter of February 1, 1915, the Riggs Bank officials made under oath the following statement:

We beg to say that this bank has never made any “dummy” or “concealed” loans to any of the officers named; and we beg further to say that there was not when your examiners conducted their last examination into the affairs of this bank, had not been for several months prior thereto, has not been since then, and is not now, any loan in this bank made for the benefit of either of the officers you name, or indorsed by any of them, or for which they furnished the whole or any portion of the collateral, or of which they received the whole or any portion of the proceeds.

This record contains abundant proof of the falsity of that statement and of the confession by the bank’s officers also under oath that they had been the beneficiaries of and had owned the collateral pledged to secure various “dummy” or “concealed” loans, and on page 694 of these hearings Mr. Nevius, one of those used as “dummy” for President Glover, in response to a request from the examiner as to the frequency of these “dummy” or “concealed” loans is shown to have said:

We have had these records of loans of that sort carried from one book to another for a good many years. I have been here 17 years.

The Supreme Court of the District in regard to these “dummy” loans has said:

It is perfectly obvious that as to concealed loans made for the benefit of the officers of the bank no possible limit to the scope of an inquiry by the comptroller should be reasonably suggested.

Commenting upon this situation Mr. Hogan lightly pooh-poohs Justice McCoy’s decision, and declared to your committee: “I do not care what judge says that he was acting within his legal power when deciding any nisi prius, a preliminary motion,” etc. This is his language in referring to the decision of the Supreme Court of the District.

I certainly was not correctly quoted, and have never made any such statement to Mr. Ailes or to anybody else. I have been repeatedly called upon by newspaper men recently to make some statement along this line in connection with my relations to the new administration, and I have repeatedly informed these people that I had no statement to make and that there was nothing in the rumors that I had personal information in connection with my former official duties which would in any way reflect on Mr. Williams.

Respectfully,

E. F. ROEBECK.

Mr. Hogan says that in 1903 Secretary Shaw designated the Riggs National Bank as a Government depository and that later on he designated "every national bank in the District of Columbia depositories, so there would be a fair distribution and not a few banks getting it." Mr. Hogan's ideas of a fair distribution are peculiar, for Secretary McAdoo, in his affidavit in the Riggs equity case, gives the following facts as to how the distribution was made during those years succeeding 1903:

During that time there were 11 national banks in the city of Washington, and the deposits of the plaintiff bank averaged not exceeding 39 per cent of the total average deposits of said national banks. The total deposits of Government funds in all of the remaining national banks of Washington during said period averaged approximately \$278,874.

The average balance of Government funds on deposit with the plaintiff bank (Riggs) from the time the said Ailes became connected with the bank in April, 1903, until March, 1907, was \$2,018,957.

Mr. Hogan next refers to the action of Mr. Ailes in 1903 in signing an order as Assistant Secretary of the Treasury for the transfer of \$2,900,000 of Government funds from the Federal Treasury to the Riggs National Bank immediately before his resignation from the Treasury to accept the vice presidency of that bank. Mr. Hogan seeks palliation by claiming that of this \$2,900,000—

Not a single solitary dollar of that money was taken out of the Federal Treasury at that time. It was in the National City Bank of New York by which Mr. Ailes was also going to be employed.

The money was taken from the Federal Treasury; whether it was taken from the Federal Treasury via the National City Bank or via some other bank or through a subtreasury makes no difference, and I do not doubt that this committee fully realizes the absurdity of Mr. Hogan's claim that Government balances in national banks are not Treasury funds.

Mr. Hogan submits excerpts from communications from the comptroller to the Riggs Bank notifying them that they were from time to time incurring penalties at the rate of \$100 per day for omission to furnish special reports called for, or that they were liable to the imposition of penalties for omission to send in reports.

The record is perfectly clear that only upon one occasion was the bank ever notified of the assessment of any penalty, and that occasion was their refusal to furnish information with regard to "dummy" and other loans made by the bank to the bank's officers and their families. For their omission to furnish that information the fine of \$5,000 which became the basis of the suit was assessed. Mr. Hogan's claim or charge that penalties aggregating \$160,000 had ever been imposed or assessed is a deliberate misstatement, wholly without justification. At the hearing on September 5, Senator Newberry developed this point quite clearly and asked Mr. Hogan plainly:

"Any possibility he (the comptroller) said 'assessed' instead of 'imposed?'" In reply Mr. Hogan had to state: "Oh, Senator, that is the—he uses now the word assessed. The words he used were 'accrued' and 'imposed' and when he came to get the \$5,000 he used the word 'assessed,' and now he says—and that is what has been suggested to you that he only 'assessed' the penalty once."***

The chairman asked Mr. Hogan: "Is that the word used in the statute—'assessed?'"

Mr. Hogan again was forced reluctantly to admit: "Yes, sir; shall be assessed, shall be collected when assessed."

To which the chairman replied: "I assumed it was."

That ended Mr. Hogan's discussion on that point in connection with which he had attempted to mislead your committee into believing that penalties of about \$160,000 had ever been actually assessed when in fact the only penalty ever assessed was the \$5,000 penalty referred to, and which the court's opinion said could have been collected from the bank but for the fact that in calling for the report (for the omission to furnish which that fine was assessed) the comptroller had directed the bank to have the report signed by president "and" cashier and certain other officers instead of by president "or" cashier and attested by at least three directors, as the statute provided.

Mr. Hogan next seeks to minimize the emphatic declaration of the court to the effect that if there had been any malice or bad blood shown in this controversy it was on the part of the officers of the bank and not on the part of the Secretary of the Treasury or the Comptroller of the Currency. Justice McCoy's declaration on this point is clear and positive.

The plain facts as to the Riggs equity case were these:

The suit was instituted by the Riggs National Bank, and that bank, through its counsel, filed in the court a bill of complaint comprising some 86 legal-size pages. In that bill the bank set forth at great length matters relevant and irrelevant to the issue and charged malice and conspiracy to injure or ruin on the part of the Secretary of the Treasury and the Comptroller of the Currency. The bank obviously crowded into its bill of complaint all matters in its possession or which it could get hold of which it thought might aid in showing or indicating malice on the part of the Government officials, and the bank's attorneys went out of their way to rake the record for anything of this kind they could possibly find or misinterpret into an evidence or suggestion of hostility, but, with this bill before the court, and the answer and affidavits filed by the defendants, and after long and elaborate arguments by counsel on both sides, the court gave its opinion that the malice was the other way, and—

that if there were bad blood—I do not know as to that—if there is anything between the parties, there is nothing here to show that the two defendants—Secretary of the Treasury and Comptroller of the Currency—were the aggressors in the matter.

The bill filed by the bank against the Treasury officials in the equity suit seethed with invective and malicious abuse. The court record shows that at the very opening of the trial Mr. Untermeyer was moved to make the following statement:

I doubt whether any bill has ever been filed in this court that contains so much of—I was about to say—invective.

Mr. Hogan replied:

Do not hesitate, Mr. Untermyer, to say anything.

Mr. UNTERMYER. I do hesitate, because I am afraid of following a bad example. But of course the officers will want to be heard on all the allegations.

The COURT. There will be every opportunity to have the case presented fully. I hope it will not take more than one day.

The case was fully presented and took not one day but the arguments kept up for practically 10 continuous days, and at the conclusion, on May 21, the judge made the declaration that:

The case, such as it is, made out by the bill, assuming that any was made out by the bill for the purpose of an injunction, has been met overwhelmingly, in my opinion, by the proofs which are here in the form of affidavits, and I shall deny that relief pending the action.

In his testimony on September 5, Mr. Hogan makes the following reckless statement:

There was never a time in the entire history of Riggs when there was more than a temporary depreciation in the reserve.

The official figures show that that statement is wholly false and contradicted by the official records. In the affidavit of the Comptroller of the Currency, printed on page 569 of the February hearings before this committee, I called your attention to the following statement:

Practically continuously from January, 1910, to January, 1914, the reports of condition filed by the plaintiff bank with the comptroller showed a shortage in its cash reserve averaging more than \$150,000, the shortage June 4, 1913, amounting to \$500,363. Said reports also show throughout the said period a further average shortage in the reserve for the period of 30 days prior to the date of practically every report of condition of the plaintiff bank. Attached hereto, marked Exhibit D and made part hereof, tables showing the amount and percentages of said deficiencies.

That statement is fully supported by the reports of the national bank examiners, corroborated by detailed tables.

Please refer to Table "D," page 592, February hearings. Part 1 of that table was prepared in accordance with the method of calculation always used in computing the reserve and shows that from June 29, 1900, to March 4, 1915, the bank was short in its reserve at the time of making its sworn reports of condition in every year with the sole exception of 1901 and 1905, and that in the years 1910-1912 and 1913 it was short at the time of every one of the five reports made during those years.

In the Table D, part 2, page 592, February hearings, showing the percentage of average reserve carried for 30 days prior to the date of the reports of condition, the records show that the bank had been averaging short in its reserves at the time of two reports of condition in 1906; two in 1907, one in 1908, three in 1909; five in 1910; five in 1911; five in 1912; four in 1913, and one in 1914.

The shortages shown in part 2, Table D, are taken from the sworn reports of condition made by the Riggs National Bank itself, over the signature of its president or cashier and attested by its directors.

With that record staring him in the face, Mr. Hogan brazenly seeks to deceive your committee by declaring to you:

There was never a time in the entire history of Riggs when there was more than a temporary depreciation in the reserves.

I ask your attention to the following statement made before you on July 16 by former Assistant Attorney General Adkins on the subject of the Riggs Bank's habitual shortage in its reserve:

Another violation was in connection with deficiencies in reserve, and this was one that was discussed here at some length the other day, I believe. Under the sections of the revised statutes a national bank in a reserve city—and Washington is a reserve city—shall maintain a cash reserve equal to 25 per cent of its total cash deposits. One-half of that reserve must be in cash in the vaults of the bank, and the other half may be deposited in national banks approved by the comptroller situated in one of the three central reserve cities. In this respect they violated the law almost steadily. Whenever one of their reports came in they very rarely had the 12½ per cent in cash in their vaults. Sometimes they were short both in the 12½ per cent cash and the 12½ per cent deposited in other banks. Sometimes when they were short in their cash they were over in their deposits in other banks. But that did not change the fact that they were violating the law.

The comptroller on page 55 of his affidavit gives a couple of tables showing this violation. For instance, on June 29, 1900, he shows a shortage in the cash reserve of forty-six thousand and odd dollars. On June 4, 1913, he shows a shortage in the cash reserve of \$500,000. I want to call this to your attention particularly because Mr. Hogan referred to it as one of the half truths of which he said the comptroller was fond. We state in the affidavit that they were habitually short in the half of the 25 per cent which was required to be in their vaults in cash. We said they were quite frequently short in the other half which must be in other banks, and our table undertook to show the shortage. We give in the first column the cash shortages. We give in the second column the agents' shortage. They were not short with the agents nearly so often as they were with the cash.

In his testimony on September 5 Mr. Hogan declared that the sworn statement of the bank's officers showed "That the Riggs National Bank from the day it became a national bank never made any real-estate loans.

That statement is about as reckless and untrue as Mr. Hogan's declaration quoted above in regard to the bank's reserves. The bank's history shows that it was a flagrant violator of the law in regard to its real-estate investments and operations from the very outset.

On September 14, 1899, former Comptroller of the Currency Charles C. Dawes in a letter of criticism to the bank said (page 748 of these hearings):

At the time of the examination the bank had loans secured by real estate amounting to \$310,338.40, while in your sworn report of conditions for June 30, 1899, no amount appeared in the schedule of loans and discounts secured by real-estate mortgages, although about the same amount was then held.

Again, on March 12, 1900, Deputy Comptroller Kane wrote the bank as follows:

The examiner reports 63 loans, amounting to \$282,405.65, secured by real estate mortgages. It appears that these loans are made upon notes discounted for the makers on the security of other notes running to such makers, which latter notes are secured by real estate mortgages, and that the bank accepts these mortgage notes and mortgages as collateral to the notes discounted.

While it is true, as stated by the bank, in reply to a former letter of this office in regard to such loans, that none of the collateral notes or mortgages in question run to the bank, it appears to be likewise true that the only security involved in any of these transactions is the real estate mortgaged to secure the note taken as collateral to the note discounted, as it is not assumed that the bank would have discounted any of these borrowers' notes on the strength of the makers of such notes alone without indorsement or other security, or on the strength of the makers of the collateral notes without the real estate mortgages behind them.

These loans are therefore made in contravention of section 5137, United States Revised Statutes, which prohibits a national bank from taking real estate mortgages as security for loans except "such as shall be mortgaged to it in good faith by way of security for debts previously contracted," and the practice of making such mortgage loans should be discontinued.

On October 17, 1900, Deputy Comptroller Kane again wrote the bank as follows:

At the time of the previous examination, February 28, 1900, loans secured by real estate mortgages were reported amounting to \$282,405.65, to which your attention was called in office letter of March 12, 1900, as being made in contravention of section 5137, United States Revised Statutes. The examiner now reports loans of the same character amounting to \$435,904.04. Your attention is again invited to the section above named, which provides that the only purpose for which a national bank may lawfully take a mortgage on real estate is "by way of security for debts previously contracted." As the mortgages referred to do not appear to have been taken for this purpose, the notes should be disposed of or other security obtained.

That the practice of making dummy loans or using the bank's clerks as "dummies" extended back as far as 1901, is suggested by Deputy Comptroller Kane's letter to the bank of May 9, 1901, in which he says:

The examiner states that loans secured by real estate amounted to about \$400,000, the security for the greater portion running to employees of the bank. This amount is slightly below the amount reported at the time of the previous examination, but greatly in excess of the amount stated in your letter of October 23, 1900. The loan to ——— which you stated was secured by stocks, et cetera, is now reported to be secured by deed of trust and assigned mortgages; and must therefore be included with the loans secured by real estate. Your attention is again called to the provisions of section 5137, United States Revised Statutes, in connection with these loans.

The criticism of its irregular and evasive real estate loans was continued through a long period of years.

On December 8, 1905, the bank admitted its loans secured by real estate security, saying:

Loans secured by real estate notes, to which you refer, we will endeavor to dispose of as soon as the same can be done. In this connection it may be said, however, that the loans are good in each instance without the real estate notes which we hold as collateral. The latter may be properly regarded as incidental security.

On June 25, 1908, the Riggs National Bank wrote to the comptroller as follows:

As to the loans secured by real estate notes we beg to advise you that we are gradually reducing the number of these loans, and will endeavor to eliminate them entirely in the near future.

But the business kept right on.

In June, 1908, the bank was criticized by Examiner Reeves for real estate loans and stocks unlawfully held.

In May, 1909, Examiner Reeves again called attention to the bank's irregular real estate and stock-brokerage business.

In May, 1913, Examiner Hann reported that the bank was carrying \$23,447 of securities and real estate loans improperly as cash, including in the cash a \$5,000 real estate loan for President Glover, which was taken out during the course of the examination.

The real estate business of the bank has already been explained to your committee by Mr. Jesse Adkins in his testimony, pages 333-334 and elsewhere, to which I beg to refer you for further details.

Mr. Hogan in his recent testimony before the committee says that there were no excess loans in the Riggs bank from May, 1906, to May, 1914; and he also says that "None of them resulted in any losses at the time when the law only permitted 10 per cent of the capital; none of them were ever excess loans after June, 1906."

I ask your attention to the fact shown in my letter to your committee of August 12 that one of the Riggs bank loans which had been criticized seven times as excess entailed upon the bank a loss of \$29,468. For 10 years the bank was continuously criticized for its irregular and unlawful loans, which it persisted in making in utter defiance of the admonitions of the comptroller's office and the remonstrances of examiners. These loans aggregated at times more than \$2,000,000, or two or three times as much as the entire capital stock of the bank. For particulars as to these loans I respectfully refer you to pages 743 to 766 of the printed hearings. In the list were large individual loans criticized by the comptroller's office as often as 16 different times, but which were continued by the bank in disregard of all warnings.

Mr. Hogan, in defense of his friend the publicity agent of the Riggs Bank, Mr. G. G. Hill, claims that the latter was not discharged by the Tribune for his untrue articles regarding the United States Trust Co. episode, and in support of his claim submits a recent letter from a gentleman who says he was a former assistant editor of the Tribune, claiming that those malicious articles were not the cause of the severance of Mr. Hill's relations with the Tribune; but it is noteworthy that Mr. Hill has up to this time submitted no word of commendation or approval from his former employer, the New York Tribune.

Mr. Hogan's statements before your committee relative to national-bank failures are also untrue and misleading.

In his statement before your committee on the 5th instant Mr. Hogan said:

In the first four years of Mr. Williams's administration there were 58 receivers, an average of a little less than 15 per year. In other words, taking Comptroller Williams's own standard to judge his administration by, we find that without the help of war inflation the national banks were failing on an average of nearly 50 per cent more per year than the theretofore established average.

Like most of Mr. Hogan's testimony before this committee, that statement is not only misleading and disingenuous but is again deliberately false, as the records prove.

During the "first four years" of my administration as Comptroller of the Currency, from February, 1914, to February, 1918 (embracing three and one-half years of the European war, years which Mr. Hogan, in his absurd and misleading statement, refers to as "fairly normal" years) 44 national banks—not 58—were placed in the hands of receivers. But of these 10 were subsequently restored to solvency and 19 have paid or expected to pay depositors 100 cents on the dollar, leaving for these four years only 15 failed national banks from which depositors will suffer loss.

National-bank failures during the first few years of President Wilson's first administration were more frequent than they otherwise would have been because of the fact that quite a number of the banks failing in those years were in a crippled or failing condition during

the preceding administration but were tided along in an insolvent or shaky condition until, under the present administration, they were placed in the hands of receivers for the protection of creditors and to prevent further losses.

Under the preceding administration, from March, 1909, to March, 1913, four really "normal years," but when some banks in failing condition were allowed to keep going, 26 national banks were placed in receivers' hands, of which 4 were restored to solvency and 4 additional subsequently paid depositors 100 per cent, leaving 18 banks from which depositors suffered losses, as compared with 15 such banks during the first four years of my administration, the latter embracing three and one-half years of the most gigantic strain and stress which the world has ever seen, two and a half of which years Mr. Hogan, in his misleading statement, refers to as "fairly normal" years.

I beg leave to invite your special attention to the following extract dealing with this particular subject from my communication to your committee of August 26, 1919, covering as to bank failures the period succeeding the close of the first four years of my administration:

Since January 1, 1918, covering approximately 10 months of the strain and shock of war and 10 months of the trials of the reconstruction period, there have been two national-bank failures in the entire United States—an average of one failure each 10 months. In the 25-year period prior to the present administration the failure of national banks averaged about 18 per annum, or, say, 1 every 20 days.

Not only have there been fewer national-bank failures than ever before in the history of the national-bank system, but the records show that of the national banks which have failed during the administration of the present Comptroller of the Currency approximately 60 per cent have either been restored to solvency, have paid their depositors 100 cents on the dollar, or are expecting to do so, whereas in the nearly 50 years prior to the incumbency of the present comptroller only about 35 per cent of the failed banks paid their depositors in full.

In answer to Mr. Hogan's lame denials as to the fraudulent operations of Mr. H. H. Flather in connection with orders for purchase and sale of securities for customers of the Riggs Bank, it is probably sufficient to direct your attention to the following extract from the testimony given before your committee on July 18, 1919, by United States District Attorney Laskey:

The CHAIRMAN. On the part of the officers?

Mr. LASKEY. Yes, sir. And I was led to that conclusion by the fact that these officers must have had an object in stating that Riggs National Bank had not bought stocks or sold stocks through Lewis Johnson & Co. If I may be permitted to say, it has been stated—I read last night in Mr. Hogan's testimony—that for the convenience of Lewis Johnson & Co. there was an account carried on the books in the name of the Riggs National Bank. The transactions purporting to be upon that stock ledger were bona fide transactions with the Riggs National Bank, and with no one else, because the order was received by Lewis Johnson & Co. from the Riggs National Bank upon the day of a purchase. At the close of the day they reported to the Riggs National Bank, "We have bought for your order," specifying the stock and the price, and received credit upon its bank book with the Riggs National Bank for the amount of the purchase. And when there were stocks sold, the facts were the reverse. Of course, Lewis Johnson & Co. would notify the Riggs Bank that they had sold stock for their order and their account and their risk. When they received the shares of stock so sold they would transmit a check.

The CHAIRMAN. All that is a matter of record, is it not?

Mr. LASKEY. Oh, yes; it is all a matter of record. I said that these officers must have known that these were transactions of the bank, and that they had an

object to conceal the fact that the bank had so dealt in stocks, which, to my mind, was evidenced by the fact that some of the officers made a profit out of those transactions.

Senator GRONNA. Were you convinced, Mr. Lasky, that the officers individually made a profit out of it?

Mr. LASKY. Yes, sir.

Senator GRONNA. It has been stated, if I am not mistaken, that all these profits ultimately went back to the bank. Did you go into that phase of it?

Mr. LASKY. Yes, sir. For years they had what they called a "commission account," and the bank charged a commission for every sale or every purchase, and into that commission account went those commissions. Afterwards, when they transferred from the commission account to the Glover-Flather account, those commissions were made to that account. There was a transaction in 1911 in which the bank ordered the purchase of 140 shares of stock. It was bought on that day, and the bank was notified of the purchase. A few days later 30 shares of the stock were allotted to a gentleman whose name I do not recall. The other 110 shares of stock remained with Lewis Johnson & Co., and they were sold some 8 or 10 days after that at a profit of \$705. That profit was turned into the Glover & Flather account.

One of the officers of the bank, H. H. Flather, would make a profit for himself out of the transactions of the bank. For instance, if a customer of the bank ordered the purchase of a given number of shares, say 10 or 100 shares of stock of a particular corporation, that order was sent to Lewis Johnson & Co. If that stock went up the same day, there was a selling order put in to close out that purchase, and another purchase was made, the customer was given the second purchase, and the profit derived from the first was paid to Mr. H. H. Flather.

The CHAIRMAN. What is your authority for that statement?

Mr. LASKY. The evidence in the case.

The CHAIRMAN. Did the court so find? That is a conclusion you drew from the evidence?

Mr. LASKY. That was the proof in the case.

The CHAIRMAN. That is a conclusion you drew from the testimony in the case?

Mr. LASKY. It is a fact established by the evidence in the case.

And in connection with Mr. H. H. Flather's operations I also ask your attention to the following remarks by Mr. Untermeyer on the subject:

I said to Mr. Cromwell, as I stated, that the bank had been operating this stock-brokerage business with the assets of the depositors and its cashier had been plainly guilty of dishonesty; that the whole thing was scandalous and a pernicious example, more pernicious because it had succeeded than if the bank had failed as a result of the speculation of its officers.

The CHAIRMAN. Who was cashier at that time?

Mr. UNTERMEYER. Mr. H. H. Flather was cashier. Mr. Hogan states somewhere in his testimony that it was because of some statement I made in open court concerning the operations of the bank that he felt it necessary to present this affidavit. I think he overlooked the fact that we had previously presented an affidavit of a man named Bennet—which is in the record, and I assume that the record is before you. We picked out hurriedly a number of transactions of Mr. H. H. Flather in which he had pocketed the money of his customer. For instance, he was the cashier, and the orders for the stock purchases would come to his desk. There were transactions such as this:

A customer would, we will say, instruct the bank to sell a hundred shares of Union Pacific short. If within an hour or two after that, Union Pacific went down, Mr. Flather would settle on his own account for that transaction and take the profit, either in cash or in a check, and then he would buy the customer's stock at the larger price, so that the customer would not get all the profit.

The CHAIRMAN. There were two Messrs. Flather?

Mr. UNTERMEYER. Mr. H. H. Flather.

The CHAIRMAN. Is that the Flather who afterwards resigned?

Mr. UNTERMEYER. That is the Flather who resigned when the indictment was handed down, and it was eminently necessary that he should resign. That sort of thing had been going on for a long time. I do not believe the other officers of the bank knew anything about those transactions. There was no evidence

that they knew it. It only goes to show the perils of allowing a bank to run this kind of a business, no matter how much money it makes out of it. I have no doubt that the national banks of this country could make fortunes if they could all turn themselves into stock brokerage, real estate brokerage, grain brokerage, produce brokerage houses, and finance everybody who they thought was responsible with proper margins in those businesses. I think they could make great fortunes if they had good judgment.

Senator HENDERSON. In the illustration you have just given, do you hold the bank responsible for the act of Mr. Flather, when none of the officials as you say knew about it?

Mr. UNTERMYER. In a sense, yes; because it had gone on for a long period of years; and because of this fact, that every time a transaction was made in stocks through the Riggs Bank, a memorandum of the sale or purchase, a memorandum slip from the brokerage house would come to the bank, and a statement of the purchase or sale, or whatever it might be, would come to the bank, and the transaction would be billed to the Riggs Bank. These transactions were conducted upon the credit of the Riggs Bank.

It seems to me the officers must have been very blind or derelict in duty if in the course of time they failed to learn of what was going on. As I have said, I do not think they did. But a man could become president of a bank, go off to Europe, and spend a few years, and come back and say "I am not responsible for the management of this bank, although I loaned it my name and my prestige, and people dealt with the bank on the faith of them. But I was away and I did not know it." I think they were bound to know it.

Senator FLETCHER. The evidence shows they had a private wire to the cashier's desk from a brokerage office. The bank officers must have known that.

As against the foregoing statements I ask your attention to Mr. Hogan's pretended bland and child-like expressions of confidence in his client, Mr. Flather, of whom he says in his testimony before your committee, in referring to the thoroughly proven fraudulent transactions, extending through several years, under the very eyes of other officials of the bank, assisted by the private wires running to Flather's desk in the bank:

It was perfectly inconceivable and unbelievable; the whole thing never amounted to more than a pittance. * * * It was utterly inconceivable that Mr. Flather was not telling the truth when he denied it.

The particular circumstances under which the affidavit of the bank officials, denying that the Riggs National Bank had ever bought or sold stocks, was filed, gave abundant ground for the suspicion that it was filed for the purpose of deceiving the court. The record in the equity case, page 360, shows that Mr. Untermeyer had said to the court, on May 19:

The plaintiff says that it was conducting this business in the names of its officers and that it was donating these commissions to the bank. Those are not the facts as the record now shows. The record shows that the active trader was the Riggs National Bank and that the account on the books of Lewis Johnson & Co. was an account with the Riggs National Bank and even to the extent of short sales * * *.

The COURT. You say that on the books of Lewis Johnson & Co. the bank appeared as a customer?

Mr. UNTERMEYER. Yes, your honor. We say there are about 150 pages of these accounts, of which we have only a part here, transactions every day, numerous transactions, wire connection, telephone connection, direct telephone communication between the desk of Mr. Henry H. Flather and Lewis Johnson's firm, and repeated transactions in the course of a day. Really, I think it is a moderate statement to say that this was simply a stock brokerage shop inside of a bank; and whilst I am carefully avoiding characterizing these transactions, I think that sort of business speaks for itself, and the amount of money that may be made on it is immaterial. To say that it is done for the convenience of customers is not accurate. It is a specious argument, because the accounts show, the record here shows, that it is not done for the account of the customers; it is

done for the account of outsiders. And, as I have stated to your honor, \$3,600,000 of these loans in the bank are margined loans on stock operations of people who were not customers of the bank except to the extent of \$24,000 of accounts altogether. So that the bulk of that vast amount of loans carried by the bank are loans carried by the firm of Flather & Flather on account of stock speculations, of stock transactions for people who could not have been customers of the bank. But whether they are customers of the bank or whether they are not, they ought no more to conduct stock speculations through the bank and on its books than they ought to buy their groceries or their dry goods or make their bets on the races through the bank.

As evidencing still further the legitimacy and the importance of the demands contained in the letter of January 22, 1915, the refusal to comply with which is the basis of the assessment of the only penalty that is here under consideration, your honor will observe that there might have been many hidden accounts of these officers that they did not disclose; there might have been many accounts dumped into that account of Flather & Flather, or losses charged off, that appertained to transactions of officers done under the cover of dummy names. I say there might have been. There was no way of discovering that, and there is and will be no way of discovering it until we know, until the Comptroller can get at those transactions that were so conducted, and get at them under the oaths of the officers of this bank, through the call that he made upon them, with which they have persistently refused to comply.

As illustrating the difficulty of dealing with a transaction of this kind without the fullest opportunity on the part of the comptroller of inquiring into it, you have a transaction, among others, as follows: It seems that in the Richardson loan there was a large amount of this Capital Traction stock. It appears from the papers that Mr. Glover, when the stock was selling at about \$145 or \$150, had the foresight to dispose of his stock, or of 600 shares of it, anyway, and at that very substantial sum. He did not deliver his stock, but he delivered the stock that was in the Richardson loan, and put his stock in the Richardson loan, and so it appeared that he was still the owner of the stock, when he had, in fact, disposed of it; and his prestige in the company continued to be based partly on the fact that he was the continuous owner of that stock, when, in fact, he was not. It was Richardson's stock. If that stock had been disposed of out of the Richardson loan, they would not have had to charge off \$20,000 of the Richardson loan into the Flather & Flather account. And so you get from illustrations of this kind some faint conception of the irregularities that may be practiced by the officers of the bank through this form of juggling with the securities in these loans. All those are matters that came under the observation of the comptroller, and that may have and rightly should have to some extent influenced his action.

The following day Mr. Bailey, counsel for the bank, introduced the affidavit signed by the bank officials, C. C. Glover, W. J. Flather, and H. H. Flather, at the instance of Mr. Hogan, and in doing so informed the court that this affidavit showed that these officers "never authorized any such transactions as are there reported." (Page 177, equity case.)

Mr. Hogan subsequently claimed that he had been "misfortunate" in the "phraseology" used by him in framing the affidavit. The indictment for willful and corrupt perjury followed and upon trial, after Mr. Hogan had taken the stand and had stated that the affidavit had been signed by the bank's officials on his advice as counsel, the officials were acquitted.

After there had been put in evidence at the equity trial documents proving that the Riggs National Bank for a number of years had been acting as brokers in the purchases and sales of stocks; that the orders had been given in the name of the Riggs National Bank; that notices of transactions had been sent to the Riggs National Bank; that checks for proceeds had been given to the Riggs National Bank and all settlements made in the name of the Riggs National Bank, when the Riggs attorneys saw that the affidavit had

failed they then and only then dropped the contention to which they had so tenaciously clung up to the time of the filing of that affidavit, to wit, that the Riggs National Bank had never had any such transactions but that they had all been made in the name of and by "its officers." and thereupon they took the position that they no longer denied that the Riggs Bank was conducting those stock operations, but they claimed that the affidavit intended to say not that the Riggs Bank was not acting as broker but that the Riggs National Bank was not buying and selling stocks for itself on its own account. It was upon that strained interpretation of the affidavit that they sought exculpation at the perjury trial.

The testimony of the bank officials during the investigations of this office has been extremely contradictory; exhibits have been inserted in the record showing that the bank advertised distinctly that it bought and sold bonds and stocks, and the bank's letter to the comptroller's office in October, 1913, also admitted that this business was being done by the bank for its customers, but, when under the present comptrollership the examiner's investigation followed, the bank officials first claimed that the bank was not doing the brokerage business but that only the officers of the bank were doing it on their individual accounts and that they had received the commissions personally and had paid income taxes upon them.

In referring to the testimony of Mr. Jesse C. Adkins, who appeared before this committee and showed how the funds and credit of the Riggs National Bank were used in the stock transactions carried on with Lewis Johnson & Co., Mr. Hogan stated that the credit of the bank could not have been used because dealing in stocks was ultra vires the powers of a national bank, and therefore no one could have held the Riggs National Bank. Whether or not the Riggs National Bank could have been held if a dispute had arisen is beside the point. As a matter of fact, the funds and credit of the bank were used when stock was purchased by the bank or its officers through Lewis Johnson & Co.

It has been proven that large sums of money belonging to the bank were used in carrying the stocks purchased by the bank for its customers and for the bank's officials. As an illustration of this, attention is called to the report of Examiner Reeves, October 15, 1913, wherein it is stated that the bank at that time was carrying, improperly in its cash, some hundreds of shares of speculative stocks purchased for different customers aggregating \$55,572.86, including 200 shares of American Can stock, \$6,562, carried for President Glover. This means that the bank had over \$55,000 of its money at that very time unlawfully locked up in these speculative stocks (for which the customers had neither given checks nor notes), in addition to millions of dollars which it was lending to various customers on miscellaneous securities, largely bought by the bank, and as the records show the great bulk of these loans were made to parties who practically had no deposit balances whatsoever with the bank, and, in a number of instances, were overdrawn.

Mr. Hogan introduces extracts from the testimony given in the perjury trial to show that the other national banks in the District had accounts with the firm of Lewis Johnson & Co. His statements are disingenuous and misleading and fully answered in my letter ad-

dressed to this committee on August 30, in which I embodied a letter from Examiner Trimble which completely answers Mr. Hogan's misstatements in this connection, and I ask special attention to the following extract from that letter of Bank Examiner Trimble to which I referred:

Some of the other national banks in this city would occasionally transmit orders for their customers for the purchase or sale of stocks or bonds; and in the case of purchases the funds for the purchase would generally be provided by the customer in advance of the purchase. In the case of sale, the stock would be delivered to the bank by the customer with instructions to have the same sold and credit the entire proceeds to his account; but no other national bank in the District, as far as I have been able to discover, ever carried on the stock business in the irregular and unlawful manner so long followed by the Riggs National Bank, nor did they openly or secretly conduct such a business.

Besides the active use of the bank's funds and credit in these stock transactions, attention is called to the several speculative accounts which were also carried with Lewis Johnson & Co. by several of the bank's officers. The cashier of the bank in addition to a speculative account in his own name, in order, apparently more effectually to conceal his operations, carried an account with the same firm in the fictitious name of "Henry Hepburn." This is possibly also one of the incidents which Mr. Hogan shrank from having made public.

When these stocks were delivered by Lewis Johnson & Co. at the teller's window of the bank, Lewis Johnson & Co. would receive immediate credit on their pass book and the bank would place the amount of the purchase price to the credit of Lewis Johnson & Co. on its individual deposit ledgers and the stocks were in many cases then placed in the cash drawer as an offset to the amount that had been credited to Lewis Johnson & Co. and remained in the cash drawer of the bank as an asset of the bank, until subsequently taken out either by checks of customers of the bank or until payment was provided for by the execution of notes by customers in sufficient amounts to pay for the stocks. Instances were shown where these stocks, the purchase price of which had been credited to Lewis Johnson & Co. on the books of the bank were carried as cash items in the cash drawer of the bank for many days and in some instances for weeks at a time.

Concerning the stock brokerage business done by the bank, Mr. Untermeyer in his testimony before your committee on July 28, said:

* * * it was a business with which a national bank had no right to be concerned.

The testimony continued:

Senator PAGE. No losses ever grew out of this class of transaction, I believe you tell me?

Mr. UNTERMEYER. I do not know as to that. I think there were small losses. But that did not seem to me to affect the question at all because if one national bank could be a brokerage shop and have the good management to make no losses, why could not other national banks run brokerage shops with less judgment and less ability, and wreck the bank?

Senator PAGE. I was simply thinking about the final results of the whole transaction.

Mr. UNTERMEYER. Of course, I look back of the results. I am looking at the principle of the thing. It was essentially and fundamentally wrong in principle. But I felt that these men had drifted into it, at a time when the ethical financial standards were every different from what they became in later years.

The CHAIRMAN. Other banks in Washington were doing the same thing in a smaller way?

Mr. UNTERMYER. I had never heard of it. I do not know of any bank in New York—much as has been said against high finance in New York, and much as may be justly said against it—that ran a brokerage shop with the officers of the bank, financed with the funds of depositors of a national bank. I think Mr. Williams performed a high public service when he stopped that sort of thing.

I shall now submit proof of the complete falsity of statements made before your committee on September 5 by Mr. Hogan when he claimed that certain purchase and sales slips and notices relating to stock transaction between the bank and the firm of Lewis Johnson & Co. had been fully preserved and never destroyed, despite the testimony previously given by Vice President Flather that they had been "thrown away."

Mr. Hogan, in his testimony on September 5 before your committee, in referring to my letter to the committee dated August 12, said:

I am going to read to you, in italics, on page 13—listen to this—August 12, 1919:

"Allow me, Mr. Chairman, to impress upon your committee the extremely suggestive fact that those notices which the bank's officers claim were destroyed were the very documents which would have aided in establishing the guilt of Mr. Hogan's particular client, Mr. H. H. Flather, the bank's cashier, in connection with the criminal transactions with the customers of the bank."

Senators, first, those papers were not destroyed; second, John Skelton Williams knew they were not destroyed; third, those papers—I produce here one bundle of them—were produced in court by the officers of the bank when they were on trial for perjury, and in open court, day after day, when the district attorney called for any one of those advices from Lewis Johnson & Co. addressed to the Riggs National Bank, showing transactions in stock, I produced the advices and handed them to the district attorney and the newspapers commented on the fact that it appeared at times that Mr. Hogan was assisting the district attorney, so promptly were the papers furnished.

Senator HENDERSON. Are those papers referred to in that statement just read,

Mr. HOGAN. Yes; precisely; not only—Senator Henderson, that statement which he makes now—not only were they produced in court, but Mr. James Trimble, national-bank examiner, who has been in this room every day of these hearings, with his assistants, between May, 1915, and December, 1915, examined in the board room of the Riggs National Bank, every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble, or one of his assistants, which number corresponds with a number placed by Mr. Trimble, or one of his assistants, on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transaction. Mr. Trimble, reporting daily to the comptroller, spending months with his officials going over every one of these papers, not only found them—may I show you, Senator Henderson, the little mark on them, those little marks on there. The green marks are put on there by one of the bank examiners, not by us.

But he knew they were not destroyed; that they were not only not destroyed, but every one of them was found in the cellar of the bank, where they had been piled up. They ran back several years.

Senator HENDERSON. As I understand it, he claims certain records were destroyed, and that you have produced these to show they were not?

Mr. HOGAN. Yes.

Senator HENDERSON. Were any records at all destroyed?

Mr. HOGAN. None. Put that as strong as you can. Borrow Williams's italics for it. Get shrieking capitals. Put it in the record upon my word as a member of your own profession and a citizen of your country—none.

In reply to these statements of Mr. Hogan, I desire to call the attention of the committee to the transcript of the record of what

has been referred to as the "perjury case" against certain officials of the Riggs National Bank—pages 1062, 1063, and 1065, showing the cross-examination by Mr. Hogan, attorney for the defendants, of Witness James Trimble, national-bank examiner.

Mr. HOGAN. I see. When you found these advices and bills they were down in the cellar, were they not?

Mr. TRIMBLE. Yes; down in the basement.

Mr. HOGAN. You found very few advices for the year 1912?

Mr. TRIMBLE. At that time I did not assort them as to years.

Mr. HOGAN. But, as a matter of fact, is it not true that you found very few advices at any time after the year 1912, either at that time or any other time while you were in the bank?

Mr. TRIMBLE. We found quite a number, but I could not say as to how many.

Mr. HOGAN. You do not remember that you found very few as to 1912?

Mr. TRIMBLE. No, sir; I could not say that.

Mr. HOGAN. You do not remember that you found none as to 1913?

Mr. TRIMBLE. I think we did find some.

Mr. HOGAN. Advices of 1913?

Mr. TRIMBLE. I can not distinguish between advices and bills from memory.

Mr. HOGAN. Then you do not know the fact to be now that you did not find any advices for 1913 and very few for 1912, whereas you found a good many of them for 1910 and 1911? What do you say as to that fact?

Mr. TRIMBLE. Will you state that again?

Mr. HOGAN. Is it not a fact that you found no advices for 1913 and very few for 1912, but quite a large number for 1910 and 1911? I am talking about advices now.

Mr. TRIMBLE. I would not distinguish from memory as to what were advices and what were bills on the table at the time I made the discovery of those advices and bills.

* * * * *

Mr. HOGAN. You endeavored, did you not, to trace down each one of the transactions that you found on the accounts of Lewis Johnson & Co. in the name of the Riggs National Bank?

Mr. TRIMBLE. We endeavored to trace them from their inception to the end.

Mr. HOGAN. In the doing of that is it not a fact that there were a large number of cases where you did not find any advices in the bank?

Mr. TRIMBLE. Yes; there were a good many cases where we did not find advices.

Mr. HOGAN. And there were a great many cases also where you did not find bills?

Mr. TRIMBLE. Yes; there were a good many.

I also refer to the same record—pages 698 and 699—in the examination by Mr. Hogan of Edwin D. Flather, an employee of the Riggs Bank and brother of Cashier Flather.

Mr. HOGAN. There are a great many advice slips, particularly in the years 1912 and 1913—and by "advice slips" I mean these advices from Lewis Johnson & Co.—in which Lewis Johnson & Co. says, "We have this day for your account and risk bought or sold the stock. Lewis Johnson & Co." A great many of them are missing. I will ask you if it was not a fact, during the last several years, before this business was abandoned, 1912 and 1913 particularly, that those were put on a spindle under the desk?

Mr. FLATHER. It was.

Mr. HOGAN. And to keep them there until the transaction was closed?

Mr. FLATHER. That is quite right.

Mr. HOGAN. And then they were thrown away?

Mr. FLATHER. They were.

Mr. HOGAN. These were used also as a memorandum of the transaction while it was an open transaction?

Mr. FLATHER. Just a memorandum of the transaction.

Mr. ARCHER. Is that the transfer slip you refer to, Mr. Hogan?

Mr. HOGAN. No, sir; the advice slip. That is, whoever happened to be at your counter would keep them there in the last few years, for which time they are all apparently missing, or most of them. They were kept on a spindle?

Mr. FLATHER. Yes, sir.

Mr. HOGAN. And then from time to time the spindle was emptied and they were thrown away?

Mr. FLATHER. Just as it filled up I would throw them away.

Mr. HOGAN. By a "spindle" you mean one of these wire files?

Mr. FLATHER. A wire file; yes, sir.

* * * * *

I also refer you to the same record—pages 814, 815, 840, and 524 and 525, covering the examination by Mr. Archer of W. Morris Lammond, a witness for the United States.

Questions by Mr. Archer, assistant United States attorney.

Answers by Mr. W. Morris Lammond, a witness for the United States.

Mr. ARCHER. I ask you for the advice under date of January 29, 1915, and the bill for 200 shares.

Mr. HOGAN. No. 1913. Is it not?

Mr. ARCHER. Yes.

Mr. HOGAN. No advice.

* * * * *

Mr. ARCHER. I want now the advice to the bank of July 22, 1913.

Mr. HOGAN. We have no such paper.

* * * * *

Mr. ARCHER. Referring to Exhibit W, Nos. 1, 2, 3, 4, and 5, I ask the witness if those papers are produced from the files of Lewis Johnson & Co. under subpoena?

Mr. LAMMOND. Yes; they were.

Mr. ARCHER. I ask that these be marked.

Mr. ARCHER. I ask the witness to refer to the ledger account before him under date of June 16, 1913, and say if there is a reference to 100 steel and 100 steel on the purchase side of the account?

Mr. LAMMOND. Yes, sir; there is.

Mr. ARCHER. Read it.

Mr. LAMMOND. 1913, June 16, bought 100 steel at 53, \$5,312.50; 100 steel at 53½, \$5,400.

Mr. ARCHER. I ask for the advice under date of—

Mr. HOGAN. We proved, Mr. Archer, that 1912 and 1913 advices were not kept.

To summarize, Mr. Hogan said in the examination on September 5, in his testimony before your committee, when asked by Senator Henderson "Were any records at all destroyed?"

Mr. HOGAN. None; put that as strong as you can. Borrow Williams's italics for it. Get shrieking capitals. Put it in the record upon my word as a member of your own profession and a citizen of your country—none.

He further said: "Every one of them were found in the cellar of the bank where they had been piled up." And again: "Every one of them were for months in the hands of the comptroller through his national-bank examiner working up this perjury case."

On May 18, 1916, Mr. Hogan, in the perjury case, when requested by Mr. Archer to furnish one of the advices referred to, said: "We proved, Mr. Archer, that 1912 and 1913 advices were not kept."

And on May 16, 1916, in the same case, Mr. Archer, in addressing Mr. Hogan, said: "I want the advice to the bank on July 22, 1913."

Mr. Hogan replied: "We have no such paper."

Mr. Archer said: "I understand your answer is that you have not that paper."

Mr. Hogan replied: "That is what I said; yes."

On September 5, 1919, Mr. Hogan, in testifying before your committee, in referring to all of these advices, said:

Mr. James Trimble, national-bank examiner, who has been in this room every day of these hearings, with his assistants, between May, 1915, and December, 1915, examined in the board room of the Riggs National Bank every one of these papers, and every one of them bore in green pencil a number placed on them by Mr. James Trimble, or one of his assistants, which number corresponds with a number placed by Mr. Trimble, or one of his assistants, on the transcript of Lewis Johnson & Co.'s ledger accounts, showing the same transaction. Mr. Trimble, reporting daily to the comptroller, spending months with his officials going over every one of these papers, not only found them—may I show you, Senator Henderson, the little mark on them, those little marks on there; the green marks are put on there by one of the bank examiners, not by us."

On May 18, 1916, in the trial of the perjury case, the following colloquy took place between Mr. Archer and Mr. Hogan:

Mr. ARCHER. Gentlemen, have you the advice of September 28 and bill?

Mr. HOGAN. Which one did you want now?

Mr. ARCHER. The advice and bill.

Mr. HOGAN. For how many shares?

Mr. ARCHER. For 100.

Mr. HOGAN. At what price.

Mr. ARCHER. At 57½.

Mr. HOGAN. Here it is.

Mr. ARCHER. I ask that that be marked for identification Exhibit X, No. 6. Now, the bill, Mr. Hogan.

Mr. HOGAN. Do you want the handwriting on that?

Mr. ARCHER. Yes; if there is some, except the green pencil.

Mr. HOGAN. Oh, yes. Those are just my numbers, numbered for my guidance.

Mr. Hogan, in his testimony on September 5, states that while Mr. W. J. Flather, testifying from memory, stated that some of the papers mentioned were destroyed after being placed on a spindle, that they were subsequently found, and "every one of them were for months in the hands of the comptroller through his national bank examiner working up the perjury case;" and yet it appears from Mr. Hogan's own statements in his conduct of the trial of the perjury case that the said papers for 1912 and 1913 were not kept, and that certain designated papers called for by the United States in that trial could not be produced, Mr. Hogan stating, "We have no such papers," as shown by the above citations from the record.

The statements of Attorney Hogan, in May, 1916, are submitted and relied upon as a complete denial and contradiction of witness Hogan in September, 1919.

Your attention is called to the fact that Attorney Hogan claims that all of the purchase and sales slips and notices which he stated before your committee were still intact and not destroyed, were the same notices which he told you he presented in court during the perjury trial, at which time, however, as shown from the above examination of Messrs. Trimble, Flather, and Lammond, he—Hogan—specifically, clearly and unequivocally informed the court and the jury that the notices covering a considerable period had not been kept—had been "thrown away" and were "missing"—and that for that reason he was unable to present them to the jury.

You will also note that the "green marks" which Attorney Hogan on May 18, 1916, stated were put upon the notices by him for his guidance, are the same green marks which witness Hogan, on September 5, informed your committee had been put upon these notices by Bank Examiner Trimble to identify them.

Mr. Hogan's statements to your committee on this subject are, therefore, a direct contradiction, without an alteration in existing facts, of the statements which he made before the jury in May, 1916, in endeavoring to secure the acquittal of the three bank officers who had been indicted for corrupt perjury for signing the affidavit prepared for them by their attorney, Mr. Hogan.

Oh, what a tangled web we weave,
When first we practice to deceive.

At the February hearings Senator Weeks asked if the large increase which has taken place in the deposits of the Riggs Bank since the time of the investigation by this office in 1914 wouldn't "indicate that the public in Washington, notwithstanding all that had taken place in the courts and all the publicity that has been given to this case, had implicit confidence in the officers of the bank?"

My reply was:

I think that it indicates that the public who have money to deposit realize that the Riggs National Bank and other banks have been closely watched and closely scrutinized, and they feel that with the experience of the past and the promises which have been made to this office, which were made public at that time—and, in fact, were given a good deal of publicity—will probably make that bank safer than it ever was before—a safer place for deposits. I will also add that information has come to me, indirectly usually, that the directors of the Riggs National Bank, or at least some of the directors of the Riggs National Bank, feel deeply gratified over the good that was done that bank by the Comptroller of the Currency in clearing up the speculative elements and irregular transactions, which they were required to abolish, taking out private wires and stock speculations, and things of that sort; and they realized that they were making a mistake in those times, and are probably making more money now by obeying the law than they did before in disregarding the law. And Examiner Trimble, who has made several examinations of that bank and who has been thrown in contact with its officers and directors, has expressed himself to me to that effect, as reflecting the views given to him by the officers with whom he has come in contact.

Senator HENDERSON. Your action, then, Mr. Williams, instead of injuring the bank, has helped it?

Mr. WILLIAMS. I am not certain that it has not saved the bank, Senator.

Senator WEEKS. Do you think they were gratified at the expenditure of \$100,000?

Mr. WILLIAMS. I think they have made a great deal more than \$100,000, which they claim to have spent in connection with that litigation, by the removal of elements of danger which were heading them in the wrong direction.

* * * * *

Senator WEEKS. Was there any loss on account of the loans made by officers or employees of the bank?

Mr. WILLIAMS. Oh, I don't recall as to whether—yes; I will say there was an atmosphere of speculation in the bank at that time which was exceedingly unhealthy. At a previous hearing reference has been made to one case where a note teller, I believe, embezzled fifty or sixty thousand dollars of the bank's money. I presume he felt that as the officers of the bank were speculating, that the president of the bank was buying and selling stocks, and the vice president was buying and selling stocks, and others, that he could speculate also. The result was that there was an embezzlement; in fact, I think there had been two embezzlements in that bank from time to time in the past. But that was, as I say, I think, the example of having officers of the bank engaged in stock speculation, which was an exceedingly unhealthy one for the bank.

I think that I was abundantly justified in making the statement which I made to the Senate committee at that time, when I said:

I feel that the best thing that ever happened to the Riggs National Bank was the requirements which were made by this office that those practices should entirely cease.

I now beg leave to present for your consideration official figures which are offered for corroboration of the view that I expressed at that time. In my letter to your committee of July 29, 1919, printed on page 730 of these hearings, I showed that for the 10-year period from June, 1904, to June, 1914, "resources of the Riggs National Bank only increased from \$12,699,000 to \$15,066,000, an increase of only 18.64 per cent."

In my letter to your committee of August 1, 1919, I showed you that the total resources of all the other banks in the District of Columbia had increased in the same 10-year period 114.07 per cent.

In my letter of July 29, 1919, I also showed you that for the five-year period from June 30, 1914, to May 12, 1919, the resources of all the national banks in the United States increased from \$11,482,191,000 to \$20,824,991,000, or 81.37 per cent, and in that same period the resources of the Riggs National Bank, under improved conditions of management, with its unlawful operations abated, had increased from \$15,067,000 to \$27,616,000, an increase of 83.29 per cent.

This record means that for the 10-year period from 1904 to 1914, while the bank was operating in violation of law and in disregard of the requirements of the comptroller's office; while the activities of its officers were largely devoted to stock-market and real estate operations, the percentage of increase in resources shown by the Riggs National Bank was less than one-sixth the percentage of increase shown by all the national banks in the District of Columbia and about one-fourth of the increase shown by all the national banks in the country for the same period. But for the five-year period from June, 1914, to May, 1919, after the unlawful, pernicious, and dangerous practices which had been in vogue before this office took hold of the situation, were stopped and the bank required to conform to the practices and requirements of sound banking, the standing of the bank was strengthened and its resources increased in the five-year period by a percentage slightly greater than the increase shown by all the national banks in the United States for the same period.

As an explanation of the slow growth of the bank in the 10-year period prior to 1914, during which the other national banks of the District had increased their resources 114 per cent, I said in my letter to you of July 29, 1919:

I stated to your committee that in my judgment the bank's slow growth prior to 1914 was due largely to the fact that the energies and activities of the bank's officers—President Glover and Vice Presidents Ailes and Flather, and Cashier H. H. Flather, and of other officers and employees—were being devoted to their brokerage and speculative activities and interests, while the banking features of the institution had been neglected or sacrificed.

I also suggested that the bank's growth for the past five years was due in large part to the fact that the bank had ceased its irregular and unlawful practices and that the time and energies of its officers were being more properly devoted to the real interests of the bank.

With this record to substantiate my judgment in the premises, I again beg leave to emphasize the view heretofore expressed that if this office had not checked, at the time it did, the dangerous operations, methods, and practices which were in vogue with the Riggs National Bank prior to the summer of 1914, including the speculative activities of the bank's five principal officers, whose borrowings (largely on speculative securities) from their own and other banks

about that time aggregated not far from \$1,000,000, the effect upon the bank and its customers of the crisis which followed the outbreak of the European war might have been extremely grave. The intervention by this office at that time in requiring the bank to clean up and cease its dangerous and unlawful operations was, as I have said before, probably the best thing that ever happened for the Riggs National Bank.

The figures which I have quoted above show that the Riggs bank, in 5 years since it was cleaned up, in 1914-15, and made to obey the law and to conform to ordinary business ethics, has prospered more than four times as much as in the preceding 10 years, while it was conducting its irregular operations and acting in defiance of Treasury regulations and the national-bank act.

CONCLUSION.

Mr. Chairman and gentlemen of the committee, in closing this hearing I ask that you ignore, for the moment at least, the clouds of pettiness and more or less irrelevant detail that have been brought in and take one broad, comprehensive view of what seem to me to be the essential and vital facts. You are to report to the Senate whether, in your opinion, the Senate should confirm my appointment by the President as Comptroller of the Currency. Here are the two facts to which I respectfully ask your first attention.

First. As I showed you in my letter of the 20th instant:

Of the 85,000 executives and employees of the nearly 8,000 national banks under my supervision there have thus far appeared before the Senate committee voluntarily to make complaints or changes none.

Of the above-mentioned 85,000 officers and employees the number who have opposed my nomination before the committee in response to a summons from the committee to appear is 1.

The testimony of that one witness was proven to have been unwarranted and untrue.

Of the officers and employees of the 22,000 State banks and trust companies of the country there have appeared before the Senate committee to oppose my confirmation, in addition to the discredited State bank official who appeared at the meetings in February none.

The total number of all other adverse witnesses appearing before the committee, either voluntarily or involuntarily (exclusive of the two attorneys of the Riggs bank whose testimony as far as it implied criticism of me or my administration has been thoroughly dissected and refuted), 1.

This last witness complained of the comptroller's management of the receivership of a failed national bank. The basis of his appearance was the comptroller's refusal to give an interpretation of a certain legal agreement of the bank which the comptroller, through counsel, had requested the Federal court to construe and had declined to construe himself. As to that failed bank, it is incidentally interesting to note that, owing to the particularly efficient management of the receiver under the comptroller's supervision, it has paid all depositors in full with interest, and there has been realized sufficient assets to return to the stockholders more than the par value of their shares, although at the time of the failure of the bank the prospects were extremely gloomy.

Representative McFadden, of Pennsylvania, also president of a small national bank, under his protection as a Member of Congress, on the floor of the House, gave utterance to malicious and slanderous statements and insinuations against me. These I immediately denounced as wholly false and without a shadow or foundation, and, in a letter to him, which I gave to the press, I exposed his motives and the baselessness of his attack; I also showed he had been under severe criticism for many years past from five comptrollers and 15 examiners for unsound practices and violations of Federal laws, and I challenged him to come before the Senate committee with any complaints or charges that he might make. He has been frequently invited by this committee at my instance to come before it and present his complaints. This he has not dared to do, preferring to skulk shamelessly away.

That is the situation. Surely all of us must dismiss as absurdly impossible and scandalous the suggestion that all the national bankers of this country, representing all the important communities of all the States, are so abjectedly terror stricken by me that they dare not present complaints or objections to this committee; and, in sullen silence and subservience, submit to oppression or misgovernment invading their right and endangering their interests.

Second. The official public record shows that the banks under the jurisdiction of my office are stronger, cleaner, safer, far more numerous, and far more prosperous than ever before in the history of the country. They are doing, successfully and safely, work more tremendous than ever has been done by the banking system of any country. They have endured and are enduring, without flinching or faltering, the most enormous strain, burden, and test, in the history of the world.

These facts are indisputable. I might be content to stand on them without further evidence or argument.

If I had dared to hope in 1914, when I took office, that after nearly six years of contact, among all the 25,000 national bank officials with whom I was to have official relations, frequently under mutually trying conditions, but one would appear, and he involuntarily, he says, to oppose my continuance in office, and that the nearly 8,000 banks under my supervision would report the high condition of management and safety we see now, after such stress as we have passed through, I would have thought the vision too bright to believe. Whatever the result of this hearing may be, I am humbly and deeply thankful that my administration has been blessed with such results.

The character and characteristics of the average American banker are familiar to all of us. We know him as a strong man, usually a dominant force in his community, keenly intelligent, quick to detect inefficiency anywhere, thoroughly informed of his legal and personal rights and, when there is need, aggressive in assertion and defense of them. If we could imagine these men with grievances, complaints, or criticisms against the office most intimately in contact with them and most directly touching their interests, but too timid to put them before a committee of the Senate, we can not imagine them shrinking from calling on the newspapers for aid. Yet, so far as I have seen, the criticisms of the comptroller's office in the newspapers have been rare and scattered despite the attempted propaganda. Your committee has had before it the discredited origin of

some of it. Of the hundreds of correspondents entitled to admission to the press gallery and representing hundreds of newspapers and press associations throughout the country, you have heard from three men avowedly hostile to the comptroller and his administration. One of these, as it appears in the record, was the employed publicity agent of the Riggs Bank, another an associate of the local State banker who appeared against me and author of a plan for press propaganda against me which he was to conduct secretly at \$250 per week. The obscure positions of most of the publications which have assailed me and the stereotyped sameness of the wording and substance of the articles they have printed indicate purchase or pressure too plainly for question. The newspapers representing the substance and substantial citizenship of the country have refused to participate in the propaganda, evidence of which the committee has seen in the record. It seems to me that this offers excellent evidence that the banking and business elements of the country are satisfied with the conduct of the comptroller's office. If there was dissatisfaction anywhere, we may be sure the press would have been invoked to express it.

In addition to the one national banker who appeared against me here out of 25,000 executives, there was one other, already alluded to. He made the grand total two. He vocalized complaint publicly elsewhere, but failed to materialize and sustain it here, although he was besought and challenged to come. This banker, completing the tale of two complainants of the host of 25,000 national-bank executives, is a member of the House of Representatives and chose the floor of that body from which to voice his grievances and accusations. He was safe there from cross-examination and rebuttal, and preferred to remain so. Apparently he considers that attempt to vindicate his squarely and publicly disputed veracity would be an unnecessary and frivolous occupation for his time, talents, and energy. Although I welcomed the investigation he sought in the House of Representatives, I observe that he has had no better luck with a Republican than a Democratic Committee on Rules in securing a report on a resolution for an investigation of my office and myself. I respectfully ask your attention to the following letter which I wrote him on July 14, 1919, which is as yet unanswered. The letter speaks for itself:

TREASURY DEPARTMENT,
Washington, July 14, 1919.

HON. L. T. MCFADDEN,
House of Representatives, Washington, D. C.

SIR: On February 15 last, in a public speech in the House of Representatives, part of which was published in various newspapers, you attacked my administration of the office of the Comptroller of the Currency and expressed your purpose to ask for investigation of it by a committee of the House of Representatives. You added that you had heard rumors to the effect that I had misused opportunities given me by that office for the financial advantage of myself or my friends, and that you would ask an investigation of these also. Later, on February 20, you substantially repeated these assertions and insinuations. On both occasions I challenged, invited, and defied you to urge on the investigation of which you spoke and declared my readiness and eagerness to meet it. My answer was sent to you and was received by you; parts of it were printed in the Congressional Record and the newspapers, but for reasons which are not creditable to yourself you endeavored to suppress my

letter to you of March 1 and prevent its publication in the Congressional Record when the subject was under debate on the floor of the House.

The new session of Congress, controlled by the party to which you belong, has been sitting now since May 19—nearly two months. I have not until to-day seen nor heard of any attempt by you to make good your promise or threat of investigation of the comptroller's office or of my conduct in it. I have seen you present at sittings of the Committee on Banking and Currency of the Senate, considering my reappointment and hearing the testimony of those opposing my confirmation. You evidently were a deeply interested and probably were a sorely disappointed auditor and spectator of the proceedings there.

On your responsibility as a Representative and an individual you publicly uttered false but serious accusations against the official and personal character of an officer of the Government holding a place of some importance. The person you assailed has publicly denounced your accusations as viciously false and has defied you to present any evidence which you may have on which you base them and added that you had tried to do injury to character and then skulked from the consequences of your attempt. You were further reminded that if you knew, or honestly thought you knew, of any reason why I was unfit to hold office your solemn duty as a citizen and a representative of the people was to make those facts known and cause inquiry by the proper authorities.

So far as I may judge by your acts you are content to rest from March 1 to July 14 under charges of falsehood and malicious attempt to do injury while avoiding responsibility and of neglect of your duty, making no attempt to reply to my letter to you of March 1. It included matter which, it seems to me, would require the attention of any man at all heedful of his own reputation or nice in his regard for personal honor.

You did, however, go into court in the interim between the sessions and sought to enjoin me from an investigation of your operations and your management of the bank of which you are president, and especially to prevent me from disclosing to members of Congress transactions and operations of which you may well be ashamed, and the tendency of which were and are destroying the credit and standing of the bank. You impress me, therefore, as being far more anxious over your job and your pocket than over your character as a man or official.

In the proceedings in court you took occasion to present the same pleas that in one way or another you had put before the House and the public, to the effect that I was trying to injure the bank with which you are connected and to gratify animosity you believed I hold against you. The record shows that I knew nothing of you or your supposed advocacy of the abolition of the comptroller's office and knew nothing of the details of your mismanagement until the chief examiner and the Deputy Comptroller of the Currency, believing that your abuses unless checked would jeopardize and ruin the bank and finding that your repeated promises of reformation were persistently disregarded, brought the situation to my personal attention and arranged for a conference with you in Washington in the comptroller's office in January last. The record shows that whatever troubles the bank may have had and the criticisms to which it may have been subjected were mainly the direct results of your misconduct and mismanagement and your deliberate refusal and failure to comply with the rules of this department and the laws and the principles of sound banking. You have sought to tie my hands and protect yourself against the consequences of your willful acts and the reckless handling of the money of others while using your place in Congress to malign and to endeavor to injure me.

You will not be allowed to execute these benevolent intentions if I can prevent. The results of the legal proceedings and processes of the courts must be awaited. I have eagerly awaited opportunity to be heard in relation to what has been said and done by you before the Congress and the public to which I am responsible. As a preliminary step in that direction I now renew my invitation and challenge to you to urge on the investigation of my personal and official conduct for which you expressed such acute anxiety five months ago. I observe with pleasure that to-day you presented in the House a resolution for such an investigation—the same you offered February 15, with some amplifications, presumably representing the results of your excavations and investigations in the interval. Judging from the reports of proceedings in the present House

thus far, there is a readiness to take up everything in the way of an investigation of the present administration that may be suggested.

Furthermore, my nomination for reappointment is before the Senate. You have opportunity there to present any evidence you may have to prove my unfitness. Permit me to add at risk of reiteration, that certainly it will be your duty to present to the House or Senate, or both, every scrap of evidence against me you may be able to find. However you may feel about such things, I have been taught to hold that character for truth and loyalty to duty are above any imaginable job or position of advantage. That character has been wantonly assailed by you. I now call on you to press directly and urgently for the investigation you asked or suggested before the last House, and now, after two months, advertise yourself as desiring of my official and personal conduct. I am ready for it at any moment before any competent body.

My name is now before the Senate committee above referred to. If you distrusted the same committee of the last Senate because the majority of its members were not of your political party, that cause of trepidation, or pretext for shunning the issue, is removed now. The committee is in session and has my case before it with full power to command the presence of persons and the production of papers. Again I invite and defy you to go before that body and present to it your accusations against me, with whatever you have or can find to support them. This need not obstruct or delay investigation of my administration and myself by the House. I will welcome that also, will be ready for it, I repeat, at any moment, and the more quickly it is ordered and begun the better pleased I will be. Meanwhile, however, the Senate committee is sitting and ready to hear, as its duty is, any charges against the appointee to an important and responsible office that anybody desires to put before it.

I submit as an unavoidable alternative that failure by you to present your charges and evidence to the Senate committee will prove that you distrust either the committee or your own case. I might submit, further, that if you shirk the show-down to which you are called you will be in the shameful position of having used your position to attempt to injure another man with widely and carefully spread attacks on his character which you are ashamed or afraid to support, and for confirmation of which you have no evidence you dare offer; but I do not know whether you are interested in that aspect of the case.

As you have assailed me before the Congress and the public, I shall feel at liberty to put this letter to you at the disposal of the newspapers and to endeavor to have it published in the Congressional Record.

I trust you will be able to understand the position in which you will be if you refuse or fail to respond to this call.

JOHN SKELTON WILLIAMS.

The whole issue simmers down, as I see it, to charges that I maliciously persecuted the Riggs Bank and its officials in 1915, and that I sustained a bank examiner in 1918 who had severely and justly criticized two local banks operating under State charters whose condition and discreditable operations for several years past had been a source of much solicitude to this office. This is not so much a trial as an inquiry to ascertain whether I am a proper person to be Comptroller of the Currency. If there is in the minds of any of you gentlemen doubt on any question bearing on that point, or if you feel that you need further information to aid you in reaching a conclusion, or if any matter or point lingers doubtful in your minds, or seems to you to need further clearing—whether it be a matter of fact or of opinion, or in or out of the record—I will be grateful to you if you will ask me, and will, as I have stated above, be glad to answer as promptly and fully as you desire.

However, it was indicated to me by the chairman early in the hearings that I might be expected to reply to every point and suggestion made against me. That suggestion has required me, at the expense of your time and mine, to reply in what would ordinarily seem to be needless detail as exact as possible, because my failure to consume time denying obviously false or absurd complaints might be

construed as reluctance and inability to do it. I hope you will believe that I have no reason to dodge or evade anything and no desire to do it. I can not imagine any question in connection with my administration of the comptroller's office or my conduct in it that I would hesitate to answer frankly, or any records of the office which I would desire to withhold from inspection by the proper person.

As to the matter of the Cooper banks, it seems to me that has been covered quite thoroughly, although if further information regarding it is desired I will be glad to furnish it.

If I am correct in my understanding of the situation, this leaves nothing to be considered but Mr. Hogan's latest demonstrations here. He has posed himself as the defender of the banks. I notice his friend, whom he vaunted so highly, the correspondent of a Boston financial weekly, agrees fully with him as to his importance and is quite vivid and eloquent in descriptive work narrating how the fearless Hogan came here, day after day, faced the cohorts of the comptroller's office and fought for the bankers of the country against this ogre—the comptroller—the battle which that editor asserts the banks were too cowardly or indolent to fight for themselves.

There is an element of humor in the thought of a school of whales sending forth a minnow or a catfish to do its fighting; but something of the kind, on a reduced scale, seems really to have happened.

You had put before you by Mr. Hogan the other day letters proving that Mr. Ailes and Mr. Glover, of the Riggs Bank, are taking anxiously eager interest in his appearances and manifestations here. Possibly, like Mr. McFadden, they were made bashful by prospect of cross-examination. It may be that, having painful recollections of former experiences, they feared Mr. Hogan might have another affidavit for them to sign.

However that may be, I ask the attention of the committee to the evidence Mr. Hogan put in this record of the lively, if somewhat camouflaged, part the Riggs Bank is taking in this hearing. I ask that this be considered in connection with the former evidence that the long review of the United States Trust Co. affair and of the Tribune article put before this committee was furnished by Mr. Hill, another object of Mr. Hogan's enthusiastic eulogy, the confessed publicity agent of the Riggs Bank. With these pieces of evidence before it the committee may decide whether there is not reason to believe that, after all, Mr. Hogan's appearance is really for the Riggs Bank and that this whole opposition to me comes from that source. Deciding that, the committee may reach some conclusions bearing on the weight to be given protests with motives of anger, resentment, and malice so obviously behind and directing them. The existence of malice on the part of the Riggs officials, it will be remembered, was so clear as to attract attention of Judge McCoy and to draw from him mention in his opinion in the Riggs Bank case, both in his interlocutory decree in May, 1915, and again in the final decision in May, 1916.

If this view impresses the committee, there may come the serious consideration whether it is well to give warning to all future executive officials of the Government that to incur the hate or ruffle the feelings of rich and entrenched moneyed interests may mean official assassination following relentless and vindictive persecution. I know myself, and my conscience is clear. Therefore no disappointment

that could come to me need cause me so much concern as the thought that those to follow me in performance of the duties of my present office might be awed to timidity or evasion in the presence of rich and unscrupulous interests by recollection of my experience. There will be other Comptrollers of the Currency or officials charged with the work done by the comptroller. Other unscrupulous and influential banks spending the money of shareholders in their attacks will challenge those officials to choose between offending them or dodging obligations to the Government, the laws, and the country.

Mr. Hogan, self-proclaimed champion of the downtrodden banking interests of the country, frequently reverting to type and conducting his case before this committee as before the most petty of petty juries, offered a most surprising explanation of the silence of the bankers on this question of my confirmation, touching them so clearly. His friend and admirer of the *Boston Weekly* thought it was caused by cowardice or indolence or at least, expressed himself to that effect.

The Hogan theory is that the silence is a thunderclap, that the bankers of the United States could find no louder means of protest against me, no more intelligent method of resistance or rebuke than reticence—abstention from adopting resolutions laudatory of me at their official gatherings. I submit this argument to the committee as evidence of desperation, of cheap trickery and puerility and consequently of the pleader's recognition of the futility and emptiness of his own case. So far as I know, it never has been the custom of bankers of this country to have their assemblages pass upon the merits of Treasury Department officials. Following Mr. Hogan's line, I might suggest that their silence proves they have not the mortal fear of me they are represented as having, because it is the common habit of the affrighted to seek to curry favor.

However, to meet that issue, trivial as it seems, I take the liberty of submitting a few facts and documents. The national bank section of the American Bankers' Association has done me the honor to ask me a second time—I addressed them in 1916 at Kansas City—to deliver an address before its annual meeting at St. Louis in October, which invitation I have had pleasure in accepting. Since I have been in office I have also had the honor of addressing, by invitation, the assembled bankers of Maryland, Indiana, Tennessee, and Kentucky, and have been compelled because of the exactions of my official duties, much to my regret, to decline cordial invitations to address conventions of bankers of various other States, including among them Mr. McFadden's State of Pennsylvania. In reference to a remark by Senator Penrose before your committee regarding dissatisfaction with my administration among bankers of his State, I addressed him a letter which I take the liberty of introducing here, as follows:

TREASURY DEPARTMENT,
Washington, August 18, 1919.

HON. BOIES PENROSE,

United States Senate, Washington, D. C.

DEAR SIR: At the hearing before the Banking and Currency Committee of the Senate on July 29 you said to the committee (p. 706 of July hearings): "I have received a vast number of complaints about the comptroller's office from Pennsylvania. I suppose three-fourths of the bankers in the State have written to me complaining."

To that statement I replied: "I should be very happy, Mr. Chairman and gentlemen, to be given the opportunity of answering any complaints that have been made against the comptroller's office. I do not think it is fair, with all due respect for the committee, to act upon ex parte complaints which are not answered." The end of the sentence should have read "which I am not given the opportunity of answering."

In answer to that statement you said: "These complaints are so unanimous they are impressive. I have not gone into them at all. Most of these gentlemen do not want their names known, because they fear that things might be uncomfortable."

To which I replied: "How could they be uncomfortable to them?"

You answered: "I do not know. I am not a banker and do not know."

I then said: "I do not believe, gentlemen, that any member of this committee is willing to condemn a man on an ex parte statement on charges of which he is entirely ignorant. I am not willing to believe this committee would be governed in that way. It would be subversive of the most elementary principles of justice and fairness. But we have seen the character of some of the complaints—the hollow, shallow, mocking character of some of the complaints that have been filed with your committee."

"I have pointed out to you the resolutions which your committee was informed were passed by the 'clearing-house association' of Winchester, Ky., and laid before this committee in February by an eminent distinguished former Member of the Senate, and when he was asked what 'clearing house' passed that resolution he declined to say. A member of the Senate committee told me subsequently that he understood that the resolution came from Winchester, Ky., and I have shown you that a few weeks later a national bank examiner wrote to me and stated that he had had occasion to examine the national banks at Winchester, Ky., a few days before and that in the course of his examination he called for the clearings in order that he might check them up with the clearing house, and the officer of the bank to whom he made the application became very much confused."

"He said, 'We have no clearing house and never had one.'"

"The bank examiner said, 'Have no clearing house? Who passed that resolution which was presented before the Senate condemning the Comptroller of the Currency?'"

"His confusion increased. He said, 'So-and-so,' naming an officer an officer or the teller in the other national bank of the city. 'He and I got that up'—a resolution which purported to be a resolution of the clearing house and was sent on to Washington as a resolution of the clearing house which did not exist and which had never existed. He said, 'I got that up. I am tired making out those reports for Washington. I am a Republican, anyhow.'"

"That was his excuse to a national-bank examiner, whose evidence is in this record. And there is a 'fake' resolution of the Winchester clearing house laid before you for the purpose of influencing your judgment and your opinion by two petty officers of national banks there, and when inquiry was made of the president and directors about that they expressed their deep regret that anything of that sort should have happened and said that they knew nothing of it at all."

The chairman asked me: "You do not mean to imply that the Senator who introduced that resolution knew that it was a fake?"

I said to the committee: "I know nothing about that. I told you in the previous hearing that the same Senator who introduced that resolution had informed your committee that he had never received a letter or word commendatory of the Comptroller of the Currency, and that subsequently, when it was discovered that I knew of correspondence which he had had in Lexington, Ky., with a leading banker of that city, the president of the local bankers' association, he said, 'Well, I was going to mention that letter,' but he never read the letter to the committee, and that letter was read to the committee subsequently by me, and inserted in that record, in which that leading banker, a man who had had 40 years' experience in the banking business, informed the Senator that he had been in the business 40 years, and that he had seen many comptrollers come and go, but that he was never aware of an administration which had been more successful than the present one. The letter was commendatory throughout. He said that his bank had never been put to any hardship, and that he welcomed the examinations which were being made, which were calculated to improve and strengthen their position. And he said, 'In

order that you may see that I am not governed by partisan motives, I am a rock-ribbed McKinley Republican, and always expect to be. But I think it is only fair to the comptroller that I should write you as I am doing.'

"When the Senator stated to your committee that he had never received or heard a commendatory word about the comptroller he was in possession of that letter, freshly received. I mention the Winchester resolution as indicative of the secret propaganda against the comptroller's office.

"Without boasting, I desire to say that the comptroller's office is in receipt of hundreds of letters from all over the country, from Republicans and Democrats alike, regardless of political affiliations, commending and approving in the highest terms the methods and policies which have been instrumental in achieving the results which have been obtained in the past five or six crucial years."

Part of this colloquy was published in the newspapers. Doubtless you have noticed the avidity with which some correspondents have put into print every suggestion that might tend to discredit me or my administration of the comptrollership. Aside from that and for reasons which will present themselves to you naturally I am interested in your summary of the feeling toward me among the Pennsylvania banks. I realize that your remark was casual and know how easy it is for a small minority of any class, by clamor and aggressiveness, to impress the belief that they are the majority or the whole. Therefore I am taking the liberty of asking that you will do me the favor to analyze the facts of the complaints and protests of which you spoke.

June 30 of this year there were 1,383 national and State banks in Pennsylvania. I think you will ascertain, by a little inquiry, that you were mistaken in thinking that three-fourths of these, which would be 1,037, have complained to you against me. I ask you further to consider that men of the standing and intelligence of the average Pennsylvania banker are not likely to be timid or fearful of shadows. The opportunity to be rid of me with presentation of tangible or definite charges or complaints was wide open before them while the Banking and Currency Committee was taking evidence in the matter of my nomination and inviting all to state their grievances. My own belief, in which I am sure you will coincide, is that the banking people of Pennsylvania are made of sterner stuff than to be content to express their wrongs, or to do their duty as citizens in aiding in the deposition of an unfit or dangerous official (especially with such opportunity before them) from the hiding place of anonymous or vague statements of dissatisfaction. I think you will agree with me that their impulse and instinct, if they felt they were oppressed or dealt with unjustly, would be to oppose their enemy in the open and undertake to overthrow him with facts.

As you have heard, or will see in the record, of the 1,383 banks in Pennsylvania direct opposition to my confirmation came from one. As you know, he is a Member of the House of Representatives, but failed to answer my challenge several times repeated, to go before your committee and state his case. To the time of this writing he has refused, or failed to push the investigation of my conduct and character which he so boastfully promised. My urgent demand that he make his promise good is unanswered. He has applied to a United States court in Pennsylvania for an order to restrain me from demanding access to the records of his bank for criminal or other prosecution and to prevent me from requiring him or other officers of his bank to be witnesses against themselves, and further from disclosing any of its affairs to "Members of Congress" or others. For the proponent of a resolution of investigation he seems to be somewhat shy of investigation.

The record of your committee will prove to you that he is far from being a representative of the men or the methods of banking in his State.

On the other hand, I have letters from banks in Pennsylvania, large and small, commending my work as comptroller, and some men of your own party have written me that they have written you, without suggestion from me and without my knowledge, strongly commending my administration.

I state further, as a fact to be proved or disproved from my official files, that in the more than five years of my administration as comptroller not one instance of oppression or injustice has been shown. I could not believe, and you could not believe, that all the bankers of this country are cowards, to crouch under an unjust lash and answer it only with suppressed whimpers.

It is true that some few complaints against this office have come to my knowledge from State banks, which are not under my jurisdiction. Some of these, of unquestionable character, have thought that in public statements I have dis-

criminated in favor of national banks by showing that the casualties among national banks were less in proportion than among the State banks. I have given the facts it was necessary to give and that the law expects me to give. I have kept in view, also, the hope that the system of State bank examinations might be brought to the same efficiency and strictness that have contributed to the gratifying conditions we now have among national banks, promising the disappearance of mismanagement and failures.

It is possible that some echo of these complaints may have reached and misled you. State bank examiners themselves have protested against the methods of this office, and I am informed that some of them in a recent assemblage adopted resolutions favoring abolition of the comptrollership. Yet you have seen in your own State, and very recently, the tragic and distressing results of laxity in supervision of State banks holding important positions and supposed to be under the best management.

Nothing is more natural or inevitable than resentment of supervision by citizens of position and influence unaccustomed to criticism. My hope and belief are that when you analyze, as I have ventured to suggest, the complaints of which you spoke, you will find them to be from those who have fallen under restraint necessary for their own safety and the public welfare, and from their associates and friends; and from State banks restive under implied criticism for the lax examination methods to which they are accustomed, but which they now realize, doubtless, may be attended by sad and destructive consequences.

Yours, very truly,

JOHN SKELTON WILLIAMS.

As I have no reply to this, I assume that Senator Penrose ascertained, on inquiry, that the gentlemen from whom he had heard could present no tangible complaint and simply had been asserting the inalienable Anglo-Saxon privilege of general dissatisfaction with the Government. It is inconceivable that the Senator's constituents—men of intelligence, patriotism, and responsibility—would have feared to present to him any serious accusations they might have had in connection with a matter so serious as the conduct of the comptroller's office, especially at a time so critical as this.

A few of the many commendatory and very gratifying letters which have come to me from all parts of the country I have taken the liberty of bringing to your attention in the early part of this statement in answer to Mr. Hogan's suggestion of "ominous silence." Let me invite your attention to the fact that the only letter which, as far as I have learned, Mr. Hogan has been able to find critical of this office for use in his personally conducted propaganda, and which he had printed and has been sending out, was a three-year-old letter from a North Dakota banker complaining that banks were leaving the national system and converting into State banks. In August, 1919, while Mr. Hogan was scattering that letter, that North Dakota banker made formal application to this office for permission to convert his State bank into a national bank!

I ask consideration of all these facts and letters in connection and contrast with the adverse letters mentioned in former hearings, but not produced, by Senator Weeks, and the letter from a banker in Nebraska, not introduced here, but presented by Representative McFadden as a part of the smoke screen which he threw up in the Congressional Record a few days ago to cover a retreat which impressed me as ignominious.

You gentlemen doubtless noted that the greater part of Mr. Hogan's most recent utterances before you, to which I have had access, was a quibbling defense of the Riggs Bank, curiously mixed with nibbling attacks and outbursts of malice against me. I have answered, from

the records, every point I could discern and identify as bearing on the case. As to the perjury case, I did not participate in that prosecution nor instigate it. My only interest in that phase has been to demonstrate that when I denied such participation I told the literal and exact truth. Mr. Untermeyer sustains me. The records sustain me. The only basis for the attempt to contradict me is the unfounded surmise of Mr. Hogan, whose testimony on other points is so thoroughly discredited or disproved.

Your committee will find additional evidence of Mr. Hogan's desperation, his malicious disregard of facts and ignorance in the large promises he made of what he would prove if he could but have access to my personal diary and certain records of the Treasury Department. In passing, it is appropriate to note the fine note of chivalric scorn struck by Mr. Hogan in describing the refusal of the Riggs Bank officers to buy from an unidentified thief transcripts of my private diary. It is difficult to avoid the cynical reflection that the proposed purchase might have been expensive and probably would have brought the purchasers within the purview of the criminal law for buying stolen goods. Mr. Hogan, acting here, as seems to be established, with the warm approval and active connivance of the Riggs Bank officials, found a cheaper and safer way. He would not buy my private diary, but he undertook to use the incautious confidence of the thief to induce this committee to secure the little book for him. It was produced promptly and put at the committee's disposal, with results which you know.

The Treasury Department records, from which so much of startling and damning revelation was promised by the sanguine Hogan, were produced promptly, and you saw them. I submit that these incidents are sufficient to show the character, the motive, the animus, and the instigation of this opposition to me. They seem to me conclusive evidence of furious, unscrupulous, implacable malice, in addition to the previous evidence on which Judge McCoy based his opinion on malice.

Now, gentlemen, I congratulate you on the fact that I have finished unless you wish further information or testimony. I regret that I have been the involuntary cause of so much trespass on your time, attention, and patience. I thank you sincerely for the kindness and consideration you have shown me in throwing the doors wide open, inviting all accusers and complainants, and giving me full opportunity to answer.

I regret that the few adverse witnesses who have appeared have taken advantage of the freedom allowed them and have so abused the opportunity by making and giving publicity to accusations wholly and maliciously false and which they did not even pretend or attempt to corroborate. The fidelity and integrity of my administration has never been and can not be truthfully questioned. The facts also seem to show that its efficiency has been high—I may add, I think the records show, unprecedentedly high—and that in execution of my purpose and aim to aid as far as I could in keeping the banks of the country under my supervision safe and useful and in position to meet unprecedented demands upon them in those world-racking times I have not been disappointed.

I have tried to follow out to the last ramification and meet fairly and squarely every charge and insinuation against me. My office has

nursed to health and strength with tireless energy strong banks which had been made weak and sickly by misfortune or mismanagement, but the authorities of which showed honest purpose of amending. We have been severe where that course was necessary. So far as I can discover, the real provocation for all this protest is my determination that it was not becoming nor prudent to me, representing the Government and law, to approach and remonstrate with those who would put their own judgments and customs and selfish aims above the law in a bondman's key, with bated breath and whispering humbleness.

Respectfully submitted.

JOHN SKELTON WILLIAMS.



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